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ABSTRACT

This is a collection of essays on the arts and urban development. Included are the following articles: (1) "The Arts and Urban Development" by James L. Shanahan; (2) "Cultural Policy and Intra-Urban Development" by Richard Raymond and Michael Sesnowitz; (3) "The Vague World of the Arts and Urban Development," by Bruce Seaman; (4) "Business Subsidies to Urban Amenities," by Virginia Lee Owen; (5) "Problems in Conception of the Arts and Urban Development," by Steven Globerman; (6) "The Amenity-Disamenity Mix in the City," by Gary Garofalo; (7) "Two Elements of the Arts and Urban Development: The Arts Service Industries and Physical Design," by Carl Colonna; (8) "The Role of Education in the Arts and Urban Development," by Kenneth Kahn; and (9) "Evolving Cultural Policy in Cities in the United Kingdom," by Ian Appleton. An introduction by William S. Hendon provides a synopsis of each article. (APM)

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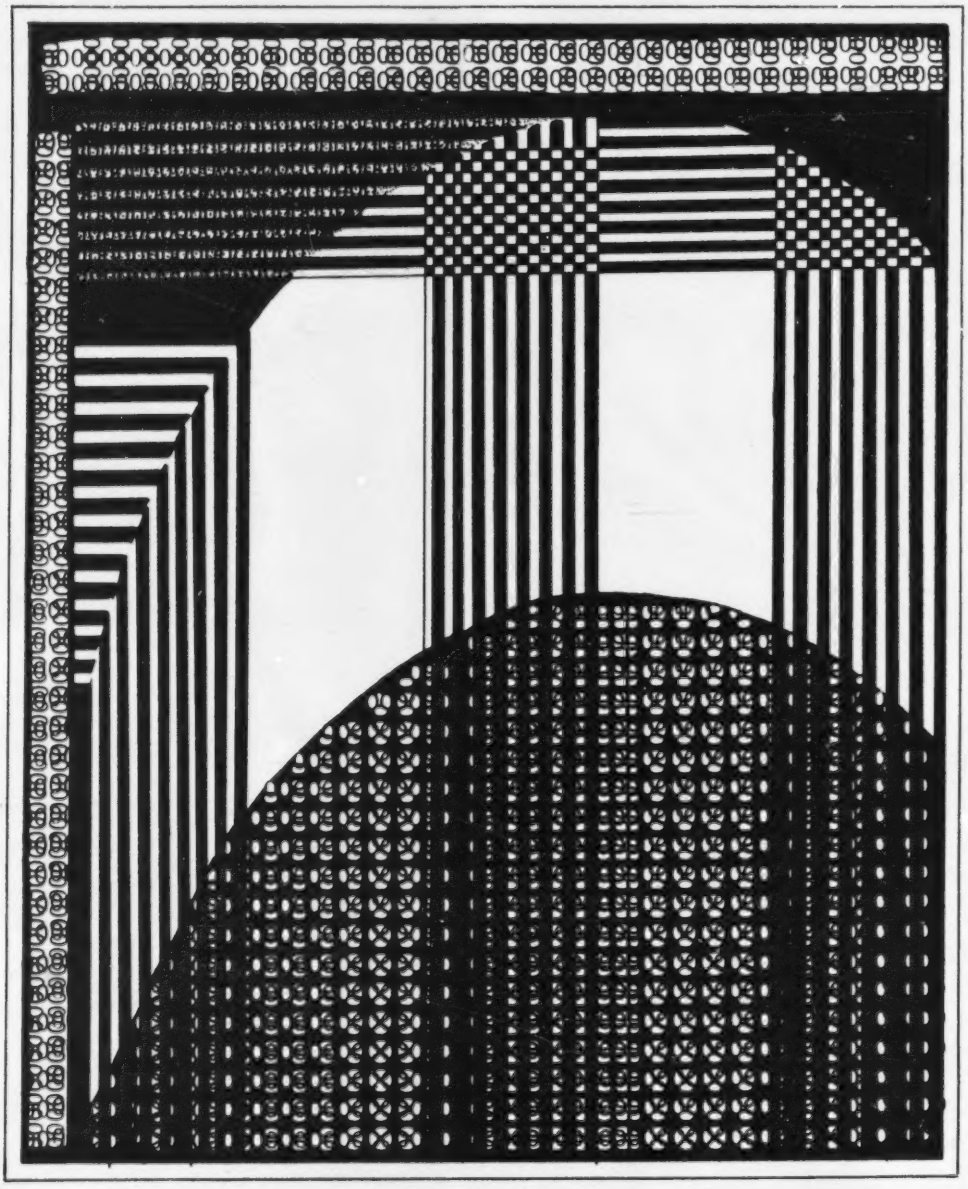

edited by
William S. Hendon
The University of Akron

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The University of Akron

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THE ARTS AND URBAN DEVELOPMENT:

CRITICAL COMMENT AND DISCUSSION

Edited by

William S. Hendon
The University of Akron

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The University of Akron

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CONTRIBUTORS

Ian Appleton is a Senior Lecturer in Architecture at the University of Edinburgh in Edinburgh, Scotland.

Carl Colonna is an Assistant Professor of Economics at Christopher Newport College in Newport News, Virginia.

Steven Globerman is an Associate Professor of Administrative Studies at York University in Downsview, Ontario.

Gary Garofalo is an Assistant Professor of Economics at the University of Akron in Akron, Ohio.

William S. Hendon is a Professor of Urban Studies and Economics at the University of Akron in Akron, Ohio.

Kenneth Kahn is Executive Director of the Maryland State Arts Council in Baltimore, Maryland.

Virginia Lee Owen is an Associate Professor of Economics at Illinois State University in Normal, Illinois.

Richard Raymond is a Professor of Economics at Kent State University in Kent, Ohio.

Bruce A. Seaman is an Assistant Professor of Economics and Urban Life at Georgia State University in Atlanta, Georgia.

Michael Sesnowitz is an Associate Professor of Economics at Kent State University in Kent, Ohio.

James L. Shanahan is an Associate Professor of Urban Studies and Center Associate in the Center for Urban Studies at the University of Akron in Akron, Ohio.

PREFACE

During the academic year and summer of 1978-79, James Shanahan, while on leave from the Department of Urban Studies at The University of Akron, was the Visiting Scholar in Urban Affairs at the Charles F. Kettering Foundation. While at Kettering, Shanahan initiated a project to develop a framework for evaluating claims that the arts contribute to local urban development.

This Kettering project provided financial assistance to the First International Conference on Cultural Economics and Planning held in Scotland in August, 1979. As part of the workplan, Shanahan presented a comprehensive concept paper - "The Arts and Urban Development." Interest in commenting on and expanding some of Shanahan's efforts led this editor to invite a number of scholars to draft brief papers which provide critical comment and extension of Shanahan's ideas. This monograph contains the Shanahan paper and the commentors' remarks which the paper prompted.

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INTRODUCTION

by William Hendon

James Shanahan's paper is an attempt at an initial but rather comprehensive look at the arts and their impact upon urban development. The focus is on larger cities and centers in an effort to draw together and place in perspective all of the major arguments which have been advanced to advocate government support of the arts. What are the claims of arts advocates? How do these claims imply urban development consequences? And how does one sort out the possibly valid claims from those which are invalid? This ambitious effort is well realized by Shanahan to run the risk of being incomplete and to lack detail. The point to keep in mind, however, is that Shanahan's effort is a first attempt to clarify some of the issues even though his discussion may at times cloud certain issues. Its contribution, therefore, lies in building a broad framework, commenting on part of it and prompting further discussion and research.

Early in his paper Professor Shanahan cites eleven claims which advocates of art subsidy have made which Shanahan suggests may have developmental consequences. Labeling these claims under categories of industry, amenities and education, Shanahan moves to a discussion of points under each heading.

To provide perspective on the advocates' claims, Shanahan raises four questions:

- What are the ways in which the arts can be development tools for achieving balanced urban growth and development objectives?
- What facets of overall growth and development are most responsive to the arts development role?
- What are the implied urban development objectives?
- How and at what points in this dynamic process do the arts assume their developmental role, over what time horizon?

These questions are then related first to claims held to relate to economic development, then physical development of the built environment, and finally human development. At first glance it would appear that Shanahan's message could have been better served by either eliminating his initial classification of claims (*i.e.*, the industry, amenities and education categories) or arranging the claims according to his latter organization of economic, physical and human development. The first categories confuse while their restatement illuminates. In addition, Shanahan may have been better off to make more effort to relate the claims each to the other. The reader may judge for himself or herself in reading the Shanahan paper.

Reviewing the public subsidy of the arts, Shanahan discusses the principal of the arts as an industry related to export-base notions of general urban development. He argues that the arts industry can contribute in two ways: the arts industry exports a major part of its output bringing in new dollars to the economy and it buys most of its inputs locally keeping dollars in the local economy.

From a dynamic standpoint Shanahan looks at evolving central city cores and neighborhoods and their peculiar problems. Inner city location has been the preference of some arts institutions and taking advantage of this fact is argued as better policy than trying to retain traditional service sector activity which is decentralizing. Center cores and neighborhoods may be stabilized in part by arts locations.

Turning to cultural amenities Shanahan argues that they may have a longer development role if they attract or help retain populations *and* if it is true that jobs may follow people just as often as people follow jobs. The "magnet" argument appears to relate to both neighborhoods and city centers. Perhaps cultural and recreational amenities may offset some of the

disamenities of mature cities (crime, pollution, etc.).

From a population and business attraction (versus retention) standpoint, the quality of life arguments may appear to be a middle class or upper middle class perception, at least insofar as the cultural amenities are concerned. The issue of "magnet" is unclear.

From a retention point of view cultural attractions rank rather low in business and residential location choices, but quality of life issues generally predominate. Although the point is not made, policy makers should likely think in terms of "packages" which include reduction of disamenities at the same time they plan a broad number of amenity improvements (including the arts).

This brief review of some of Shanahan's points is in itself quite incomplete, but still, the major paper itself is incomplete. Shanahan does not cite all of the claims nor does he discuss all of the claims he cites. Nonetheless, the paper is a thoughtful and exceedingly useful conceptual piece, one which will prompt further work and clarification. A look at the paper and some of the comments on the paper will support this view.

In reviewing some of the basic art subsidy arguments in the merit goods approach, the externality approach and the "start up cost" justification, Richard Raymond and Michael Sesnowitz take a look at the arts and urban development by taking off from Shanahan's point that evidence of the impact of the arts on urban development is thin. Raymond and Sesnowitz argue that if the evidence on the positive side is thin, then the evidence on the negative side is also weak. That is, there is little evidence which says that the arts do not have an impact upon urban growth and development.

Raymond and Sesnowitz then propose that the key argument about the arts and urban development is not whether the arts have an impact upon development but instead in what way planners and officials should utilize such possible impacts. By developmental effect, the authors refer to the tendency of businesses to locate in those places where cultural amenities are strongly present and where certain individuals will be clustered around cultural activities within an urban region.

Like several other commentators, Raymond and Sesnowitz take issue with the interregional interest (sunbelt vs. frost belt) and focus their comments on intra-regional impacts. The key impact for subsidy policy would, in their view, be the "gentrification" of the central city, *i.e.*, the attraction of the young, the educated, the rich, etc. If such programs work well, then the tax and income base of the city will be improved. On the other hand, if the housing stock in the central city does not increase, or cannot increase, then the impacts of such gentrification will be harmful to the poor. Crowding will increase among the poor; job opportunities in the arts will not likely help the poor and it is no where clear that the subsidy to the arts if successful in gentrifying the central city will assist the poor. Quite the contrary, in the instances cited above it may well be that cultural subsidies will have the unintended social cost of further disadvantaging those in the inner city who most need assistance.

Taking a more sanguine view, Bruce Seaman opens his comment with a number of criticisms of Shanahan's paper. Seaman argues that there is a lack of rigor to the discussion of advocates' claims on the relationship of the arts to urban development. Seaman finds that the "unsubstantiated views and provocative asides" deflect the reader from the main question of arts impact.

Like other commentators, Seaman argues that the main thrust of analysis should be towards intra-metropolitan issues rather than questions of inter-urban comparisons. He also emphasizes the necessity to see the arts in the historical development context of the city in which they are studied, since there may be developmental staging differences among cities which because of dynamic trends of development render art perhaps more significant in some cases and less so in others.

Seaman also calls for an increased study of locational decisions by arts institutions within cities. Citing commercial and industrial locations which run to markets, Seaman questions why arts institutions appear to stay in mid-town or CBD locations. What are the costs of so doing? In addition, what has happened with clustering of institutions? Has it generated redevelopment or development of ancillary business? Or, is the arts institution standing alone in an isolated and declining part of the city? Have there been any impacts in which institutions generate additional economic activity, and, if so, in what way and how much? Thus, for Seaman the key is not attracting new economic activity as much as casting about for what existing activity may be expanded, assisted or made supportive by the location of the arts institutions or other elements of arts activity.

Further study needs to be made identifying which firms give to the arts, what they gain from it and what, in general, are their perceptions of it. What are the economic characteristics of such firms? It is hypothesized that such firms would be ones which served highly educated customers. It might also be hypothesized that such firms might also be among those which are "tight oligopolies" which are not competing on a price basis and would find value in arts donations as a means of practicing non-price competition. What would be the short run and long run effects of goodwill donations? Do the benefits, if they exist, dissipate for the firm over time, *i.e.*, the advertising effects?

As an experienced arts research economist, Steven Globerman is concerned in looking at Shanahan's paper definitionally. What, he asks, comprises the arts industry? Similarly, what is meant to distinguish architectural and industrial engineering in Shanahan's conception of the physical environment?

Turning to some arguable points of logic, Globerman comments that subsidy must be used not just if the arts create benefits but must also be justified by ascertaining that the benefits would not occur without the subsidy. Also, Globerman wonders how, if the arts are consumed by such a small population percentage in a city, the arts can be used to broadly promote welfare? Globerman also doubts the export-base argument as a basis for local arts policy.

Taking off on the relation of art investments and location and retention of business in the urban center, Virginia Lee Owen's note begins by addressing the issues of local and federal tax expenditure and investment. Finding them wanting in encouraging central city relocation or retention, she turns her attention to business subsidies of amenities in the absence of strong government-induced incentives. The issue in urban development becomes one of encouraging business to invest locally in the arts and other amenities. If business invests in the arts, it is argued that revitalization of the urban center can be enhanced or assisted, because the central city's "bad image" can be changed. Detroit is cited as an example of efforts by business to improve the city's image by investing in central core amenities including the arts. Owen argues that business location and relocation decisions are largely subjective and therefore not exclusively concerned with profitability. Amenities investments then generate a climate for other investment, which retains firms in the central city.

Non-monetary factors for investment by firms include the desire to improve the firm's public image, its fear of government regulation, its sense of moral or social obligation, possible averting of destruction of the firm's property, and possible increases to its sources of demand and/or labor force. These non-monetary factors may influence investments by firms, in urban center amenities. These factors illustrate positive incentives to invest.

Barriers to central city investment include certain non-monetary factors such as distaste for commuting to the city center, fear for safety of employees, nuisance of increased likelihood of burglary and vandalism, annoyance in working with central city unskilled workers, and distaste for central core dreary surroundings. Thus, non-monetary factors may also be important in discouraging investment.

The non-monetary "intangibles" cited by Owen suggest that straightforward analyses of location and retention will always err by leaving out significant variables. At the same time, questions of "bad image" may well be overcome in the business mind if arts investments can be encouraged. Perhaps this is a circular argument, but it does suggest that specific business investments in the arts of the city can possibly go a long way toward changing a central city's bad image and thereby affect the subtle psychological incentives to invest. Art then becomes (along with other amenities) a means of gaining initial business participation in urban revitalization. Owen's comments, among other things, add dimension to Shanahan's points 5 and 6 on the impact of cultural amenities on enhancing economic objectives of urban development.

Gary Garofalo begins his comment by noting that while Shanahan appears to deal with the impact which the arts have upon the economic base of the local economy, he, Garofalo, is more interested in looking at the agglomeration economies associated with cities. Arguing that the concentration of economic activity in cities produces an unfavorable amenity-disamenity mix, he finds that in older cities the problem is not only one of declining productivity but also disamenities are worsening. Since amenities are affected by productivity and since amenities grow with market potential, a decline in market potential reduces amenities. The size of the market shrinks and real family income declines.

Examining amenities in the declining city,

Garofalo notes that amenities are of three types: site-specific, size related, and purchased amenities. The first includes climate, beaches, etc.; the second have to do with widened choice in such areas as occupation, recreation due to high population; while the third form, purchased amenities, can either be public or private and grow with growth in real family income. Public in this sense refers to parks, schools, public art museums, etc. and private refers to restaurants, shopping and private sector cultural amenities, such as galleries, theaters, etc.

Of key importance are size related and purchased amenities as far as both decline with declines in income in the mature city, while at the same time disamenities such as crime, blight, etc. are worsening.

Those who live in cities experiencing such decline wish to be compensated for the discomforts of urban problems but as economic decline continues, the economic pie becomes smaller and smaller. In sum, as the amenity-disamenity mix becomes less favorable, there are greater demands to regain an appropriate mix but less resources to achieve it, both in individual incomes and in government income. If decline can be stopped, then it must come from increased productivity. An improvement to the amenity-disamenity mix may also stop the decline. In mature cities the key question having to do with the arts, according to Garofalo, then becomes whether or not the amenity structure in the community can enhance economic growth. He cites evidence of cities in which amenities have improved (Pittsburgh's pollution, for example) but growth has not occurred.

Turning to the kinds of amenities he noted earlier, Garofalo details the expense of regaining site-specific amenities such as waterfronts in Great Lakes cities. Also, size-related amenities may be gained in cities of much smaller size than our mature larger cities. Purchased amenities may be had by the use of cultural centers, an agglomeration of the arts activities.

In conclusion, Garofalo finds two important elements relating arts and possible effective urban development: agglomeration and the development of the central business district and the possibilities that neighborhood development may be enhanced with the arts, by the means of locating arts activities in particular neighborhoods with a development purpose in mind. External forces such as indicated can trigger neighborhood development.

Treating arts as an economic service activity, Carl Colonna observes that if a local arts industry is to create positive economic effects it must first have sufficient demand, either locally or for export, to survive. If markets are large, then economies of scale may obtain and impacts may be even more significant.

Unfortunately Shanahan did not categorize the types of art services from which one might expect to seek positive benefits, and of course as a result characteristics of the arts services are not available to the reader. Which services are most effective? What are their economic characteristics? Unlike some of the other commentators, Colonna has no difficulty with the idea of arts as an export industry.

Colonna also has some questions about the possible tautology of "jobs following people" and the reverse of that maxim.

Colonna takes the urban planner's view as to the physical environment and the idea of "people places", a concept of undoubted importance. The notion of spaces and locations in a city in which people are "comfortable" is an important but largely subjective aspect of arts and the physical or built environment. Such a notion may be only partially aesthetic in the sense that other elements of design may be important too, but as a means of creating urban space which attracts and helps people's interest, the dynamics are obvious in such cities as Charleston, Savannah and San Antonio.

Kenneth Kahn argues that educational investments in the arts are an effective long term development strategy which enhances both urban development and ensures that the arts will thrive in cities. Following upon Shanahan's five points concerning education and development, Kahn argues that there is not nearly enough investment in the arts and that we have not done enough research into precisely how the arts are linked to urban development. He calls for more investment and experimentation to see just what could be accomplished.

As an architect and architectural historian, Ian Appleton comments on the way in which one may see the arts broadly in an urban development context. In Britain he finds that support for the arts has traditionally been subsidized to achieve social (largely educational) and cultural aims. Only when cultural policy becomes couched in terms of comparing cultural policy choices (1) internally and (2) among other public investments, do the economic benefits

become a matter of concern in the process.

Historically, the aim of public intervention was justified educationally. This nineteenth century basis was inherently economic (among other things) in that education creates skills, technology, etc., but it was also primarily social in conception, nor did these conceptions change much until after World War II when the more frankly cultural was emphasized, *i.e.*, making available to the local public institutions of cultural excellence and significance. Concentration of artistic support in a few local and national institutions by these efforts brought a reaction against "elitism" and a call for "cultural democracy", a grass roots and democratic art. Cultural democracy became the new social objective with education and excellence apparently assumed and elitism to be avoided.

Local authority increases to subsidy have not kept pace with central government subsidies during this post-World War II period. Central government has been aggressive in cultural policy and local authorities have not been, largely, according to Appleton, because of the perception by local politicians of limits of political pay-offs for them in cultural expenditures.

Local cultural policy is thus seen as a complex set of situations and as economists look for economic effects of cultural activity on urban development, Appleton suggests that planning a rational local policy is made difficult because (1) demands for the arts are difficult to express, (2) the provision of cultural products is diverse and not within the control of a single supplier, (3) no acceptable definition of culture has been proposed, (4) the direction of artistic innovation cannot be predicted, and (5) the continuing conflicts between elitist and cultural democratic views.

In reading Appleton, one is struck by just how complex is the world of art and urban policy and implicitly how a narrow development argument either for or against art impacts is a partial and incomplete analytic approach. One senses that Appleton is satisfied that benefits are real but detailing them has not yet been approached broadly enough.

It is not possible to reach conclusions easily about either Shanahan's concerns or those of the commentators. Several things appear to be clear however:

1. The questions concerning the arts and urban development are still very much open. Differing views suggest that the issues are complex and that whatever approach one takes, the conditions may differ from city to city because cultural amenities make up a large group of possible policy items of which the arts are only one input to be made. What are the connecting linkages? Are there economies of scale and agglomeration?

2. There seems to be a general agreement that impacts should be examined and are more likely to be found by looking within a particular city than in comparing cities, the export-base notions.

3. There is disagreement on whether there has been sufficient impact research. In general, it looks like there has not been enough of the right kind of detailed, particularized research.

4. There is concern that arts policy may further create disadvantages for suburbanites and the poor if central city policy becomes the primary policy.

5. Further research needs to be made into business incentives, who gives, how they benefit, and what characterizes these giving firms. Such knowledge would permit policy makers to tap both the monetary and non-monetary incentives in a supportive manner.

6. For further economic research to be profitable there needs to be a consistent effort to define the "arts industry". What is it and what are its characteristics?

7. There are many non-economic variables and effects which economists should look to particularly in the sense of long run economic development. Education in the arts is seen as a primary investment in the arts which has spin-offs for enhancing quality of life and accomplishing social purposes.

These are only some of the points which might conclude major efforts of the Shanahan paper and the comments of some of the other scholars on his work. Whatever the result, these efforts further clarify our understanding of the possible areas of direct and indirect impacts that the arts may have on urban development.

THE ARTS AND URBAN DEVELOPMENT *

by James Shanahan

Over the last decade the U.S. government has instituted significant direct support of the arts. As the debate over justification for public support of the arts moved into full swing, the proponents of art subsidy turned the policy debate 180 degrees. The question of what the economy can do for the arts has been reversed to what the arts can do for the economy.

This new role for the arts has been presented only in fragments and argued largely by advocates of the arts, not social scientists; however, since most of the arguments relate to the social sciences, there is a need to look at the social science context of the claims:

Arguments for the arts as industry:

1. The arts are a part of the local economic base, providing jobs and income to local residents.
2. The arts industry involves minimal use of exhaustible resources.
3. The arts industry will be an integral economic part of the service economy in the postindustrial era.
4. The arts industry is the single most significant source of amenities that clearly favors the central city economy as a location.

Arguments for the arts as cultural amenities:

5. In reshaping and rebuilding the physical environment in our urban centers, we must take care to apply artistic skills for an aesthetically pleasing and integrated physical fabric. These efforts will enhance and expand the economic objectives.
6. The availability of artistic and cultural activities and cultural amenities can be a decisive factor in both industrial and population relocation and retention of a rich human resource mix.

Arguments for the arts in education and development:

7. Arts appreciation encourages consumption patterns that are less wasteful of exhaustible resources and do less harm to the environment than other types of consumption.
8. The arts can provide the ethnic and cultural glue for neighborhood identity and cohesion - an intangible element of neighborhood revitalization.
9. The arts can fulfill the human need for relatedness dependence on others for nurturance, support, and identity, which is important to the emotional well-being and mental health of city residents.
10. Many of our unemployed and underemployed can be retrained utilizing the arts and artistic skill development.
11. Neighborhood economies can be strengthened utilizing arts and artists.

In examining the relationship of the arts to urban development, we may minimize some problems of definition if we consider urban development to have three components: (1) economic, emphasizing the importance of the industry mix for a vital local economy; (2) physical development, encompassing the importance of the physical environment as the skeleton of the urban fabric; and (3) human development, emphasizing the importance of meeting the total set of human needs. Obviously, any strategy for setting development objectives requires an integration of these three aspects.

Economic Development

In the short term local economic growth is largely dependent on the local industry mix, particularly as it is made up of new manufacturing and services with income-elastic product demand and any other fast-growing industry with a regional or national base of operations. Also, as we have entered the postindustrial (manufacturing) era in the United States, additional development criteria have

emerged: environmental safety and energy efficiency, if not conservation. Claims 1, 2 and 7 view the arts as a local industry capable of promoting qualitative development in both production and consumption.

Over the longer term, however, the viability of any urban economy is dependent upon its capacity to invent and/or innovate or otherwise acquire new export bases. But what must we accomplish now and what kinds of processes should we set in motion if the transition to a service economy is to be made? In this context, Claims 3 and 6 would apply: the arts industry is an integral part of a future service economy and a broad set of cultural amenities may act as a magnet for attracting and retaining future generations of people and jobs.

Physical Development

Physical environment provides a considerable amount of place value for society. On the one hand, the aesthetic design of the physical environment may be an important social amenity in the quality of life. Hence, Claim 5 says that the arts can apply skill and use cultural tastes in the design of a pleasant physical environment. Ed Bacon, for example, refers to the arts as the "paradigm for urban planning."

The present physical environment also provides cultural ties with both the past and the future, a cultural inheritance for immediate future generations with some parts even preserved for the more distant future. Hence, the youth of American cities, when compared to cities like Edinburgh, and the acutely American "disposable city" development process reduces the historical significance of American cities.

The physical environment is the skeletal framework for the economy. Development of physical resources over time must be compatible with changing social and economic activity. The arts industry, as an integral part of a developing service economy (Claim 3), may contribute to important economic returns - at least in portions of the local economy - even though the arts industry may not be directly responsible for generating these benefits.

Human Development

The idea of quality of life includes the full range of human needs, not merely economic gains. Indeed, many needs can be satisfied outside the economic market.

Much work has been done to identify measurable dimensions of social, economic, and cultural factors for the purpose of monitoring "improvement" in the urban quality of life. Social indicators, for example, can measure increased schooling or decreased infant mortality which, by definition, are assumed to indicate increased well-being of the population. Such achievements are positive, and as individuals we feel positive about them. However, unless we experience them personally, we have no effective need or means to place a real value on them, and our lives in the city may be largely unrelated and unresponsive to many of the elements of social indicators.

Claims 7 and 9 suggest that the arts and their appreciation have an aesthetic potential which permeates all human experience; that is, for some people the arts can provide the aesthetic thread from which the quality of life's fabric is woven. This provides the context for the claim that the arts can be directly related to emotional well-being and mental health.

Not surprisingly, then, the development of human potential has become linked to the arts in education. The arts can be an educational tool if aesthetic values and artistic methods enhance the building of production skills while developing consumption skills. In other words, the arts may be an integral part of developing human potential for production and consumption.

There is an important link here with the economic development objective of achieving an urban life-style that is not wasteful of exhaustible resources or environmentally unsafe. Meeting any of these needs outside of the marketplace is problematic, however, since the urban area functions best as a market center - for production and for meeting final demand by residents for consumption and investment. Urban institutions work very well to satisfy the economic needs of the cities within the limits of their individual control over resources, but they work very poorly at meeting noneconomic needs. Tibor Scitovsky presents cogent evidence of the institutional and cultural bias in American society against meeting human needs for social comfort and stimulation outside of the marketplace [1]. The net result is that Americans - when compared to citizens of other Western countries - satisfy their need for status, self-fulfillment, recreation, and so forth with the aid of many durable goods that may be bought for other reasons. Window shopping, driving for pleasure, and gauging status in terms of durable goods collections

are examples.

If the arts are used as an educational tool, individuals in the future may choose less materialistic consumption patterns and life-styles as a result of taste development influenced through the educational process.

In addition to the foregoing claims, arguments as to the role of the arts in urban development are deeply embedded in the question of public support of the arts. Providing these claims have validity, public support of the arts and cultural amenities might be viewed not as subsidies but as investments for (re)building America's urban areas. Any affirmation of these claims will undoubtedly become grounds for providing some form of public support to the arts. It is vital, then, that any affirmation also provide a basis for allocating support among the arts.

Recent History of U.S. Public Support of the Arts

Prior to passage of the National Endowment for the Arts Act in 1965, the direct channeling of public dollars and actions in support of the arts was virtually nonexistent. Even though the U.S. government inadvertently and indirectly provided a great deal of support, this support was in the form of special tax exemptions, nonprofit tax status, and tax deductions for private contributions. Dick Netzer estimates that over $400 million 1974 U.S. tax dollars were foregone by all levels of government because government either rebated a portion of the private donations at tax time or, in effect, matched the nonprofit organizations' resources by exempting them from income and excise taxes [2].

Direct federal support to the arts essentially began with the National Endowment for the Arts, the "chosen instrument" for such support. Since 1965 the federal purse has been opened for rapid, but now slowing, increases in annual support. Direct federal spending on the arts had increased to $151 million in 1975, nearly a tenfold increase over that decade, but these monies are still comparatively small. For example, the entire annual National Endowment budget would only build a three- to four-mile section of interstate highway in certain sections of the United States.

Some would argue that even the current level of support is not yet as secure as, or in parity with, support for many other functions, such as health services. But support for the arts has to be justified on grounds of effectiveness and the equity of the results the arts make possible. Even in the absence of our knowledge of these results, there have been many claims in recent years that the arts should be given *special* consideration in any public policy that is aimed at urban revitalization, balanced growth, and development. Some advocates believe that the arts are essential to development in terms of both attracting and keeping the young and better educated in our cities and tapping the human productive potential of the hard-core unemployed. It is clear that the Departments of Commerce and Housing and Urban Development have not formulated measurable developmental objectives for the arts. Yet, if the Economic Development Act, Community Development Block Grants, and Comprehensive Employment Training Act monies are to be *invested* in the arts, criteria should exist for distinguishing between arts projects with real development potential and those with little or no potential.

Evaluating the Claims

The term "the arts" is used ubiquitously in making these claims; the arts are loosely identified as: (1) an industry in which institutions and organizations are functioning as businesses interrelated with other local businesses; (2) broad-based to rather specific cultural amenities; or (3) cultural education, tools, and processes.

Some of the claims that the arts contribute to revitalizing urban centers have been better thought out than others. Some of the implied development resources are intangible and not empirically verifiable. In some cases, just how the tool can be increased or changed, let alone utilized, is unknown.

What is clear is that the potential for the arts to be any one of these three developmental tools is almost entirely based on the usual objective of artists and arts organizations - the achievement of artistic excellence. The single exception is the profit motive of the commercial portion of the art industry.

Overall, the main linkage question is whether program objectives designed to achieve artistic excellence can also be made to contribute indirectly to economic growth and development and an improved quality of life. Of course, the converse also applies: if these derivative objectives are emphasized, how can the achievement of artistic excellence be left uncompromised? There are no clear-cut answers to these questions at this time, just as there is limited and uneven verification of the development potential

of the arts.

Evaluating the Role of the Arts in Economic Growth and Development

The arts industry is said to be capable of direct and immediate contributions to the local economic base - to the level of and trend in economic performance and the quality of life for individuals. Can the arts, as an industry like any other industry, be a part of the growth sector capable of producing net additional spendable income and, at the local level, jobs? If so, what part of the metropolitan region is most affected?

The arts industry can contribute directly to the local economic base in two ways: first, by exporting a major part of its output, bringing net new income dollars into the economy; and, second, by relying on local firms and factors of production for its endeavors, thus keeping the local art industry income dollars within the area. That is, economic growth can occur because of increased demand for the exporting of locally produced arts or by reduced reliance on economies in other regions for local industry's requirements for fixed capital, current supplies, and new materials, or for its financing or labor resources. In economic-based jargon, we need to measure the balance-of-payments position of the local economy relative to the rest of the "world" as a result of the presence of the local arts industry.

These short-run direct economic impacts have been researched extensively, although empirically little is known about how the arts compare to other service industries in terms of contributing to import substitution. Studies of the economic impact of the arts continue to ignore the import needs of the local arts industry and balance-of-payment issues, despite the existence of a conceptually sound model developed by Cwi and Lyall that has been circulated widely by the National Endowment for the Arts

But what happens in the longer run? What determines the potential of an urban economy to sustain its growth and development as new industries and populations are born and old ones disappear? What happens as established industry has the opportunity to relocate or reallocate its industry activity? How can the arts, viewed as the set of development tools discussed earlier, influence these choices? This is the subject matter of the growth and development as a dynamic process, with all sectors of the economy interactive.

As stated above, and paraphrasing Wilbur Thompson, a noted American urban economist, the local economy must have the capacity to innovate or otherwise acquire new export bases. Thompson argues that:

> The economic base of the larger metropolitan area is . . . the creativity of its universities and research parks the sophistication of its engineering firms and financial institutions, the persuasiveness of its public relations and advertising agencies, the flexibility of its transportation network and utility systems, and all the other dimensions of infrastructure that facilitate the quick and orderly transfer from old dying bases to new growing ones [3].

There is also the implication that these factors have the capability to hold or attract new generations of the population. And because of decentralization of the work place and suburbanization of the population, it is important to include in the analysis the peculiar economic problems of the urban center.

Cultural Industry and the Future of the Central City

Downtown areas and many neighborhoods within the core of older urban centers have already experienced varying degrees of decline, both in the subarea economy and in the quality of life for residents. Job decentralization, racial and income segregation among neighborhoods, some public housing projects, highways, and so forth have wrecked the stability and cohesion of many neighborhoods.

Harvey Perloff argues that as we move into the postindustrial era, the economic future of the urban center, whether or not it is depressed, is dependent on urban competition for certain service industries: company headquarters and the knowledge/technology services industry; recreation and tourism; arts and cultural services; health, learning, and other personal services. New manufacturing, retail, and wholesale trade and even the traditional FIRE services (finance, insurance, and real estate) are locating at centers of activity throughout the metropolitan area.

As stated in Claim 4, the arts industry - arts institutions and performing arts centers in particular - have a clear preference for central city over suburban/exurban locations. Perloff states:

> For many of the arts activities, such as symphony, opera, major theatre, dance, and the like, a central location is an advantage. For visual arts and crafts, the highly unique nature of the individual products recreate many of the "market place" needs which originally contributed to the evolution of urban areas [4].

Reinforcing inner-city locational preferences for the revitalization of downtown commerce, rather than trying to hold the decentralizing service employment, may be one of the more compelling reasons for investing in the arts for their economic potential. Most of the arts industry, however, operates at a deficit, or would if not for the direct and indirect public support noted earlier. Careful analysis of the direct industry effects is needed.

Perloff argues that the development of this strong service economy for the urban center will not evolve on its own, as Thompson suggests. A new form of research and development is needed to provide the organizational capacity and skill development needed to encourage these industries.

1. Many of them as now organized - the arts and cultural activities, recreation, and preservation and rehabilitation activities, for example - are likely to require large amounts of public financial support and sponsorship if they are to expand substantially.
2. Many of them, as now organized, call for a relatively high level of skills.
3. Many of them provide a high proportion of part-time jobs and relatively low wages and salaries.
4. Most of them, to achieve much greater economic importance and service-industry status (*i.e.*, a highly organized, sustained, exchange and employment-provision system) would need provision of substantial social overhead - for example, improved transportation, appropriate facilities, various public supports, helpful legal arrangements, and improvements in residential quality [5].

Cultural Amenities as a Magnet for Jobs and People

Theories of urbanization evolved with the underlying premise that people follow jobs. Urban areas evolved and grew because of the economic advantages of concentrated production, with firms and plants placed at an optimal distance from either sources of materials or final demand and with firms from various industries clustering for mutual economic advantage. Shifts of industry and population from one urban area to another have always been viewed as an interactive dynamic process - a chicken-and-egg dilemma:

> Population growth and employment growth interact. The growth of industry cannot be sustained in an area without a readily available local supply of labor, and a local market to purchase the final product. At the same time, population growth cannot be sustained without an expansion in local economic activity [6].

Do Jobs Follow People?

Urban analysts and policymakers are beginning to realize that the regional shifts in industry are as much a response to population shifts as vice versa, that is, that jobs follow people [7]. Roger Vaughan has had the most to say about this:

> Movements in population may have been the single most important factor in explaining differences in economic growth among regions and the suburbanization of employment. Although some households have moved to seek jobs, there is mounting evidence that companies have followed population rather than vice versa [8].

Population growth means unmet consumer demand and a growing labor supply, to which local service industries have responded.

But the idea that jobs follow people is simplistic. Workers pursue jobs, but jobs follow the markets that people create. In the immediate time period, persons looking for employment must consider the current distribution of jobs as a given. So college graduates, as well as displaced manufacturing workers, must consider their short-term job options in light of what is available in their own communities, as well as in other communities. However, even in the short-run there are other kinds of influences on the choice of employment - matters that gauge the urban area as a place to live. People, particularly the younger and well-trained job seekers, are beginning to restrict their search to certain regions of the country or even to a particular city size. "In the main . . . the sunbelt and the suburbs have developed rapidly because people want to live there" [9].

The formation of new and dissolution of old enterprises are influenced by economic conditions, business climate, and public policy. For example, new business may be quite sensitive to the local entrepreneurial mix or the availability of new venture financial capital. Even so, in choosing a new location or reassessing current location, entrepreneurs and executives can consider alternative areas as places to live as well as a base of business operation.

So the importance of residential choice in analyzing both business and population shifts is magnified to the extent that jobs follow people (markets and labor). Lest we miss the point, population shifts are prompted by the search for a better quality of life that does not follow from, and might even be in contradiction to, economic conditions. Going one step further, industries - the service industry and innovative manufacturing in particular - are following the markets created by these regional or city/suburban shifts.

One way to view the importance of the arts for attracting population to large urban centers is in terms of the cultural diversity that results. As Perloff states, "The arts serve to enhance one of the built-in advantages of the city, that of *urbanity*. The arts serve to increase the element of *excitement* and *variety* which is the key to urbanity. Government and the private sector need to recognize the role of artists as dynamic city builders" [10]. But the use of cultural amenities to attract in-migration of the mobile population requires a great deal more study than it has received.

Are households *attracted* to urban areas that offer a comfortable climate, pleasant physical surroundings, and cultural and recreational amenities? Despite our argument that population shifts are occurring for reasons other than direct economic benefits, research on the importance of all amenities - let alone the cultural amenities - in explaining interurban migration and residential choice is incredibly thin. Studies have addressed only climate and pollution and have concluded that net migration is to warmer climates and away from polluted areas.

At least two sets of amenities are recognized by urban residents. The first includes the physical conditions of neighborhoods, such as general appearance of housing stock and cleanliness of streets, as well as the broader problems of traffic congestion, crime, and noise and air pollution. The importance of this set of amenities in determining the quality of life is recognized by residents at all levels of income. The second set of urban amenities, which includes cultural and recreational activities, seems to be of greater importance to upper- and middle-income than to lower-income residents [11].

Attraction of Businesses and Executives: Some Empirical Evidence

A thorough analysis of the Baltimore region, based on data collected during unstructured interviews, revealed the following:

1. There was universal agreement among respondents that the arts by themselves are not a *determining* factor in industrial location decisions.
2. There are many quality-of-life factors perhaps more important than quality artistic and cultural amenities.
3. Quality-of-life issues appear to be more important to firms that employ highly trained, salaried, and mobile personnel.
4. The presence of varied and high-quality arts appears to be used as an important indicator of the general level of a community's civility and culture. The presence of these amenities is used to suggest that a community is progressive, resourceful, concerned about itself, and energetic.
5. Cultural and recreational opportunities are generally viewed as one area of concern, with firms interested in the total mix of educational and recreational opportunities available to an employee and his or her family.
6. Quality of life and life-style issues are very much matters of personal preference. While few want to live in a place with no cultural ambience, this does not mean that executives who are interested in artistic and cultural amenities require them to be "world class" or to be located in the home community [12].

Retention of Business and Executives: Some Empirical Evidence

A more recent broad-based study of business locational factors in ten major SMSAs has been conducted by the Joint Economic Committee in Congress [13]. When asked to identify characteristics of the city that influenced their decision to expand or stay at a present location, businessmen listed quality-of-life issues as six of the seven most

important criteria, of a total of twenty-six. Cultural attractions were ranked seventh among the criteria. Crime, quality of schools, and attitude of the city toward business are some of the more important factors. The study concludes that "improving the quality of life in cities where it is poor, and maintaining it where it is good, can have an important impact on decisions of firms to relocate, alter the size of their work force and reduce or expand their operations."

As enlightening as these findings are in providing some vitally needed empirical discussion of the context in which cultural amenities influence locational choices, the interview technique is only one side of a balanced social science study of behavior.

NOTES

1. Tibor Scitovsky, *The Joyless Economy*, Oxford, Oxford University Press, 1976, especially chapter 11.

2. Richard Netzer, *The Subsidized Muse*, London, Cambridge University Press, 1978.

3. Wilbur R. Thompson, "Internal and External Factors in the Development of Urban Economies" in Harvey Perloff and Lowden Wingo (eds.), *Issues in Urban Economics*, Baltimore, Johns Hopkins Press, 1968, p. 53.

4. Harvey Perloff *et al.*, *The Arts in the Economic Life of the City*, New York, American Council of the Arts, 1979.

5. Harvey Perloff, "Central City in the Post-Industrial Era," in *The Mature Metropolis*, Charles Levin (ed.), Lexington, Mass., Lexington Books, 1978, p. 118.

6. Roger Vaughan, *The Urban Impact of Federal Policies: Population and Residential Location*, Vol. 4, Santa Monica, The Rand Corporation (forthcoming).

7. Academy for Contemporary Problems, *Simulating the Economy of the Great Lakes States*. Report prepared for the Economic Development Administration, U.S. Department of Commerce, 1977.

8. Roger Vaughan, *The Urban Impact of Federal Policies: Economic Development*, Vol. 2, Santa Monica, The Rand Corporation, 1977, p. 79.

9. Mark Kasoff, "The Urban Impact of Federal Policy," *Nation's Cities* (November 1977) Supplement.

10. Perloff, *The Arts in the Economic Life of the City, op. cit.*

11. James E. Kunde and Mark Kasoff, "Public Opinion and Public Policy," *Nation's Cities* (November 1978) Supplement.

12. David Cwi and Katherine Lyall, *Economic Impacts of Arts and Cultural Institutions: A Model for Assessment and A Case Study in Baltimore*, Washington, D.C., The National Endowment for the Arts, 1978, pp. 21-24.

13. Joint Economic Committee, U.S. Congress, *Central City Businesses - Plans and Problems*, Washington, D.C., U.S. Government Printing Office, 1979, p. 2.

*Published in *Economic Policy for the Arts*, Abt Books, Cambridge, Mass., 1980.

CULTURAL POLICY AND INTRA-URBAN DEVELOPMENT

by Richard Raymond and Michael Sesnowitz

Although the title of Dr. Shanahan's paper does not refer to public subsidies to the arts, upon completing the paper the reader is left with the impression that the central thesis relates to the ability of such subsidies to affect favorably developmental patterns. The impetus for the increased attention being given to the generation of additional funds to support the arts seems to lie in the perhaps inevitable increase in the operating deficits of artistic organizations. "Baumol's disease" seems clearly to be plaguing the arts [1]. Costs have risen more rapidly than the ability of artistic organizations to offset these costs with a combination of user fees and private charitable contributions. The ready solution to this financial drought, as is frequently the case, is to seek water from the public trough. This strategy has been successful in the past, but as Dr. Shanahan points out, future public support for the arts may be jeopardized by "proposition 13 type tax cuts."

The traditional rationale for public support of the arts has been a combination of "externality" and "merit good" arguments. If the arts generate external benefits then the private market will underallocate resources to the arts and public subsidies may be warranted [2].

If all Americans, for example, benefit from the international prestige associated with first rate American symphony orchestras, then levying a fee, through the tax system, on all Americans may be not only fair but also necessary in order to avoid underallocating resources to symphony orchestras.

The "merit good" argument involves a different kind of market failure and usually takes one of two forms. Either the absence of information on the part of the public renders the preferences of an omniscient decision maker superior to that of the masses or the unequal distribution of income renders the market outcome unacceptable. As applied to the arts, the former argument would proceed as follows: the masses are unwilling to patronize the arts because they have not acquired a taste for the arts. Once they are exposed to the arts their tastes will change and their condition will have been improved.

Notice that for such a policy to be effective, the subsidies must not be distributed in a manner which simply reduces the price to those who would have patronized the arts anyway. Also note that once effective, both the justification and the need for the subsidy disappear. There is little evidence that current subsidies have operated in this manner.

It is easy to see how the second type of "merit good" argument applies to such things as education and health care. It is less easy to see how it applies to the arts. There is certainly no evidence to suggest that the main impact of current subsidies has been to provide the poor with the benefits of artistic performances. If it is the rich and middle classes who benefit from arts subsidies, as seems likely, then the income distribution argument can be used against subsidies. Only after subsidies based on the former "merit good" argument are successful in changing the tastes of the poor, can the income distribution argument be used to justify public subsidies.

One final argument, different from both the externality and "merit good" arguments, has been used to justify public subsidies in cases where there are large "start up costs" associated with the provision of some good [3]. If, for example, a good symphony orchestra or ballet company can be developed only over many years, individuals may be willing to pay a price for the "option" to view an artistic performance in the future even though they currently choose not to do so.

Evidently, the impact of these arguments on public subsidies has been insufficient, for the advocates of subsidies appear to have turned to a new rationale to justify their position.

The economic or developmental impact of the arts

has emerged as the new champion. A number of major cities have completed studies designed to show that artistic organizations generate employment and income, and in general stimulate economic activity in their host community [4]. There is, of course, some economic impact associated with an artistic organization, but the justification for a public subsidy must go beyond this. All economic organizations have an economic impact, yet as Friedman has pointed out in another context, "... few would argue that tax monies should therefore be used to subsidize the capital investment of the Ford Motor Company or General Electric"[5].

A more sophisticated version of the economic impact position contends that the arts are capable of contributing toward what Dr. Shanahan terms "balanced urban growth and development" (BUGD). No definition of BUGD is offered and therefore it is rather difficult to determine if its achievement is in fact desirable. The general tone of the paper does suggest, however, that two separate aspects are involved in BUGD; the regional distribution of population among the nation's metropolitan areas, and the central city-suburban distribution of population within a given metropolitan area.

Much of the debate over the economic development aspect of the arts centers around the question of whether the arts are in fact capable of altering development patterns. It is implicitly assumed that if the arts are capable of accomplishing this, then they can and should be used by public policy makers to achieve BUGD. Whether by accident or design, this is an advantageous position for the advocates of the arts. Dr. Shanahan points out that the evidence in support of the developmental impact of the arts is very thin. This is quite true, but hard evidence capable of demonstrating that the developmental impact of the arts is either very weak or nonexistent is also lacking. And it is easy to find, or to generate, "soft" survey results, and anecdotal evidence which seems to indicate that the arts do play an important role in the location decisions of firms. A decision maker who is in general inclined to favor the arts can therefore support a decision to subsidize with relative impunity.

We feel that the debate relating to the developmental impact of the arts has been misdirected. The real issue is not whether the arts have an impact upon development but instead whether, and in what way, such an impact should be utilized by planners and public officials. As long as investigators continue to be preoccupied with the accumulation and assessment of evidence relating to the existence of a developmental effect attributable to the arts, they will neglect the logically prior issue of what should be done with, or about such an effect if it does in fact exist. An answer to this question may be ventured by first assuming a strong developmental effect associated with the arts and then attempting to determine what policies if any are suggested by this fact. "Developmental effect" will be taken to mean simply the tendency of business to favor locations where an adequate supply of cultural or artistic activities are present, and the tendency of certain types of individuals to cluster around the center of artistic activity in a metropolitan area.

With respect to interregional development, Dr. Shanahan suggests that it may be difficult to reverse the frost belt to sun belt movement through the provision of cultural amenities. It does indeed seem ridiculous to argue that upgrading the cultural facilities in New York and Boston to equal those in Dallas and San Antonio will stem the tide of migration from the former pair of cities to the latter. But even if this were possible, it is hard to see why it might be advisable. The observed movement of businesses and individuals is the result of economic advantages for the businesses and a preference on the part of individuals for "... a comfortable climate (and) pleasant physical surrounding(s)." Why would a policy maker wish to generate artificial changes which would offset the natural advantages possessed by the rapidly growing regions? The customary arguments used to support developmental assistance do not seem to apply in this case. The frost belt to sun belt movement is not increasing regional income inequalities, and it is not, in any readily apparent sense, generating an inefficient regional distribution of capital and labor. In addition, there would seem to be little hope of developing low-income or underdeveloped regions by scheduling regular appearances of the Bolshoi Ballet in places such as Webster Springs, West Virginia. And, in any event, would it be safe to do so?

A stronger argument may be made in support of the use of cultural subsidies to alter developmental patterns within metropolitan areas. The problems of the central city are too well known to bear repetition here. The significance of these problems, however, derives largely from the fact that central cities

continue to house large numbers of low income individuals, and particularly low-income minority groups. Policy measures which are capable of raising the incomes of the central city poor, or of improving their housing conditions or of raising the quantity and quality of the public services available to them are clearly desirable.

"Successful" subsidization of the arts should improve the level of public services available to the poor by raising the central city tax base. "Successful" implies that the subsidization attracts ". . . the higher income, young higher educated population" to the artistic and cultural center created in the central city. This "gentrification" of a portion of the central city should increase tax revenues and therefore provide the basis for some improvement in public services [6]. At the same time, however, the "gentrification" movement will reduce the supply of housing available to the poor. If restrictions on the mobility of the poor continue to exist, and unfortunately this appears quite likely, then the reduced housing supply in the central city will lead to more crowding and to higher rents for the poor. The juxtaposition in the central city of a large group of low income individuals and a smaller group of "gentry" may also result in higher costs for certain public services, *e.g.*, security.

The jobs created directly by the artistic and cultural organizations are unlikely to be of major benefit to the poor. As Perloff notes, these organizations ". . . call for a relatively high level of skills . . . (and) provide a high proportion of part-time jobs and relatively low wages and salaries" [7]. This is not the description of an industry which will generate substantial improvements in the economic status of the low-income central city residents. On balance then, it is not at all clear that the development engendered by cultural subsidies will benefit the urban poor. This development may save or rejuvenate the central city, but it may do so at the expense of the central city residents who are most in need of assistance.

In summary, the use of cultural subsidies to alter developmental patterns is very questionable. On an interregional level, there is no reason to believe that such subsidies are capable of generating a more efficient or equitable distribution of resources. The use of cultural subsidies to "save" the central cities may actually be counterproductive. The case for subsidies might better be made on the basis of the alleged external benefits generated by the arts. If the "merit good" arguments do prove convincing, and significant subsidies are forthcoming, then the possible negative effect of these subsidies on the urban poor should be carefully investigated. It may be advisable to couple cultural subsidies with measures designed to at least neutralize their negative impact upon the poor. Unfortunately, policy "packages" capable of both accomplishing this and achieving political support do not readily come to mind. Obviously, any policy proposing to open up the suburbs to the poor "in exchange for" the creation of a cultural complex in the central city will meet with determined opposition from suburban residents. Movement of the cultural complex to the suburbs would further exacerbate the problems currently being experienced by the central cities.

One final note must be added lest it be concluded that the arts are in any way responsible for the plight of the urban poor. No policies are likely to provide significant relief to the urban poor as long as the barriers to the intrametropolitan area mobility of the poor remain strong and the public services available to the poor remain dependent upon taxes collected in the central city. Nevertheless, the rationale underlying any attempt to save the city must relate to the improvement in the status of the people living in the cities. Thus, any policy which saves the cities without accomplishing this is a poorly conceived policy.

NOTES

1. Baumol has demonstrated that the technology involved in the performing arts is likely to lead to continuing increases in the relative cost of the arts. See W.J. Baumol, "Macroeconomics of Unbalanced Growth: The Anatomy of Urban Crisis," *American Economic Review*, June 1979, v. 57.

2. The presence of external economies is not a sufficient condition for subsidization even in the absence of private negotiations. The taxes levied in order to pay the subsidy are likely to generate excess burdens which must be weighted against the net benefits emanating from the subsidy.

3. Weisbrod has made this argument in reference to national parks. See Burton Weisbrod, "Collective Consumption Services of Individual Consumption Goods," *Quarterly Journal of Economics*, 78, August 1964, pp. 471-477.

4. See, for instance, Mayor's Committee on Cultural Policy, *Report* (New York: 1974), Philadelphia's Cultural Alliance, *An Introduction to the Economics of Philadelphia's Cultural Organizations* (Philadelphia: 1975)), The Washington Center for Metropolitan Studies, *The Arts in Metropolitan Washington: Some Preliminary Data on Economics, Financing*

and Organization (Washington: 1975), and David Cwi and Albert Diehl, "In Search of a Regional Policy for the Arts," February 1975 (dealing with the Baltimore, Maryland area).

5. Milton Friedman, "The Higher Schooling in America," *The Public Interest*, p. 110. Friedman would undoubtedly not object if we added the Chrysler Corporation to this list.

6. The tendency for tax receipts to increase may be partially offset by tax exemptions afforded to artistic and cultural organizations.

7. Quoted in James Shanahan, "The Arts and Urban Development," pp. 18, 19.

THE VAGUE WORLD OF THE ARTS AND URBAN DEVELOPMENT

by Bruce Seaman

James Shanahan's survey of the possible ways in which the "cultural industry" might influence urban development is a useful, but frustrating exercise. The frustration stems primarily from the inherent vagueness and duplication of many of the claims being documented. But it is often exacerbated by the author's reluctance to impose the rigor and critical viewpoint of an economist's language and methodology uniformly throughout the survey.

While this is no doubt the result of his attempt to be fair to the spirit of the claims that have been made by many non-economists, a more aggressive, critical approach to these claims would have aided the reader significantly and provided a more coherent organization to the paper. For example, the argument that "the physical environment constitutes the structural infrastructure or skeletal framework for the economy" (p. 7) is discussed as if its meaning were obvious.

Similarly, in invoking the interesting, but certainly controversial, views of Tibor Scitovsky (*The Joyless Economy*) we are told that Scitovsky "presents cogent evidence of the institutional and cultural bias in American society against meeting human needs for social comfort and stimulation outside of the market place" (p. 7). Yet as evidence of this "cogency" we are informed that Americans are particularly likely to "window shop, drive for pleasure, and gauge status in terms of durable goods." This observation would no doubt be amusing to social critics of West Germany, France, Italy and Switzerland (to name a few), and would seem particularly odd to any American observing the German debate regarding auto speed limits and the mass French auto exodus into the countryside at every available opportunity. One might also note that a lot more window shopping in U.S. central cities would be consistent with increasing the social ambience that would truly be a boost to urban revitalization. The author's desire to go beyond the narrow confines of economic reasoning is understandable. But the persistent inclusion of these seemingly anecdotal (and never substantiated) views in a paper attempting to *reduce* the level of hyperbole on this subject only serves to cloud the important clarifications and distinctions being made. As a final example, on page 8, we are told that "the U.S. government inadvertently and indirectly provided a great deal of support to the arts," in the form of special tax exemptions, non-profit tax status, and tax deductions for private contributions (over $400 million in 1974 alone). Now this is indeed *indirect* support. But support this substantial can hardly be called inadvertent without a strange view of political decision-making. These exemptions were specifically voted for arts, and other non-profit organizations, because of a presumption that their services were socially valuable in ways that might not be fully "appreciated" by private decision-makers. Particularly when compared to the lack of this indirect support in Europe, it is more useful to view this as an alternative, and perhaps even more efficient form of support, rather than almost grudgingly admitting its importance.

These observations regarding style and organization are not just trivial criticism, because unsubstantiated views and provocative asides tend to deflect the reader's attention away from Shanahan's central, and very important question, *i.e.*, can anything meaningful be said about the impact of the arts on U.S. cities?

On this substantive issue, the following points might be made:

1. Shanahan identifies a particularly useful framework when he notes that we should review our understanding of processes of urban growth and development in mature economies as a way to place in perspective the claims being made.

2. It is likely that the emphasis on the "balance of trade" or the "export base" aspects of the arts industry should be replaced by further study of the impact of the arts industry on the location of population and economic activity *within* an SMSA.

3. The current fascination with gathering empirical evidence on these claims via interviews and surveys has already yielded sufficient evidence that most of the claims about a healthy arts industry being an inducement to the in-migration of business and an educated labor force are exaggerated.

4. Furthermore, the use of more sophisticated empirical tools (such as regression analysis) to evaluate the in-migration claims (and others), would have to deal with the great complexities of reverse causality.

5. Finally, it is very difficult to be optimistic about economists being able to significantly aid policy makers in "maximizing the rate of return" in arts investment, or in evaluating the normative issues involved in public arts support. However, the shift in focus away from the useless term "merit good" and toward an evaluation of external effects on urban development is at least promising as a way for economists to aid policy makers.

The remainder of this comment is devoted to briefly elaborating these assertions.

The importance of a sense of urban history lies in the fact that the dollar impact study approach, successfully developed for the arts case by David Cwi and Katherine Lyall in their "Economic Impacts of Arts and Cultural Institutions," may not adequately distinguish the effect of arts organizations in cities at different stages of development. That is, the importance of the arts sector for urban growth and development goals such as a revitalized city core, and a diminution of local fiscal fragmentation is itself dependent upon long term dynamic trends in the city. The centrifugal forces leading to dispersion of urban populations such as the search of manufacturing firms for lower cost land in which to expand scale of operations, the replacement of rivers and railroads as the only feasible transportation modes, and the demand for more residential housing space as incomes rise have been instrumental in the past pattern of urban growth.

Likewise, more recent forces leading toward revitalization of midtown and center city neighborhoods (primarily, higher fuel costs and the higher proportion of service to manufacturing industries, for example) will themselves be important determinants of the ability of the arts to further influence such "positive" trends. An understanding of these dynamics will remind arts researchers that the arts remain more of a dependent variable than an independent variable in many equations, and that their effects on various measures of urban development is probably best captured through what empirical researchers would call "interaction terms".

As a related point, further investigation into the central city/midtown locational preferences of the arts (discussed on pp. 9-10) would seem particularly interesting, since it is not immediately obvious why this should still be the case in many U.S. cities. For example, in both Chicago and Atlanta there is a clear "north-south" educational and income distinction in the metro area. In Atlanta, one of the most financially successful middle/upper income shopping centers in the country (Lenox Mall) is located significantly further north than is the Memorial Arts Center. In fact, there are few related arts organizations located in close proximity to the Arts Center, while more and more shopping facilities are available in the vicinity of Lenox. Why the arts are following a different locational strategy than other industries serving similar customers is problematic, especially since a rarely asked question is what the arts might be losing by this strategy. It is usually assumed that such locational preferences help to stem the population tide toward outlying areas. But casual observation suggests that that is an unlikely result. What locational preference does, however, is to force many of those living in outlying areas to bear the higher commuting costs (which they seem willing to do). One might argue that the arts would be in better financial health if they located closer to their primary audience and charged higher admission fees to compensate for lower commuting costs. This is an important issue since, as Shanahan observes on page 8, many advocates of the arts argue in a contradictory way that the arts hold the young and better educated in the city *and* that they are "essential and effective at tapping the human productive potential of hardcore unemployed." If the latter effect is myth, the goal of keeping the better educated in the city

may not require locating the arts in areas that increase commuting costs and yield only moderate external benefits to those areas.

The unfortunate truth is that, with the possible exception of New York, many people merely visit these arts centers briefly and then escape back to their residential communities, or go dining, etc. closer to home. Unless a critical mass of entertainment, shopping, and *residential density* can be attained in these center city areas, it may be too optimistic to expect the locational preferences of the arts to revitalize those areas [1].

The distinction between New York and other metro areas is also important with regard to the export base issue. First, it should be noted that the author's emphasis on viewing the city as analogous to a country importing and exporting, while a fairly prevalent view, probably overstates the importance of a city's "balance of payments" as a critical determinant of its growth. For example, a well-known urban economist, Richard Muth, observes that while "it is an appealing notion that for cities, which are open regions that sell a substantial part of their outputs as exports, differential growth results from differential shifts in export demand," he goes on to argue and defend the view that "there is little systematic empirical evidence to support it" [2].

A more fundamental point, however, is that while New York may earn considerable income from sales to other cities (via tourism) of its arts services, this is not generally a major factor in most cities. In fact, the service sector of any city produces primarily for the benefit of its own inhabitants. An early statement of this view by Benjamin Chinitz seems as valid now as in 1964:

> It is above all the production of intangible services that characterizes the self-sufficiency of metropolitan areas . . . Many [of these nontangible services] are by their nature difficult to export. Some can of course be exported in indirect ways: a metropolitan area can serve as a wholesaling or financial center for the surrounding region, or even, as with New York's Wall Street or Hartford's insurance complex, for the entire nation . . . But the fact remains that it is largely for their own consumption that metropolitan areas generate the vast complex of services which give all areas, however diverse their underlying structures, a common look, and distinguish them from the non-metropolitan parts of the nation [3].

This suggests that a fruitful line of inquiry is to focus more on the *intraurban* effects and less on the *interurban* trade and population flows that may be influenced by the arts industry.

Support for this view is widespread. Raymond Struya, of the Urban Institute, has concluded from a study of locational activity of firms in urban areas that "the earlier results in sum point up the folly of continuing to stress programs aimed at attracting new establishments; a higher payoff could be realized by improving the lot of firms already present through upgrading public services, et ." [4].

And, as Shanahan points out on page 11, the evidence from unstructured interviews in Baltimore indicates that the arts are not in themselves critical factors in the intercity locational decisions of firms, that other amenities may easily outweigh the arts as location criteria, and that such quality of life issues are of more importance to firms employing highly trained personnel. These results are consistent with more structured studies. Lewis Mandell concluded that excellent transportation facilities, proximity to customers, and favorable tax climates were critical determinants in the locational preferences of manufacturers in Detroit, Atlanta, and Chicago [5]. Interestingly enough, Atlanta executives cited as their second most important consideration (following transportation facilities) "good recreation facilities and cultural life," although based on the Atlanta cultural climate this can only indicate a very broad definition of these terms.

More decisively, in an econometric study of 119 middle sized cities, each with 100-250,000 population and more than 50 manufacturing firms, during the period 1963-1976, researchers at Indiana University Northwest were able to explain over 90 percent of the observed variation in economic growth across cities [6]. A summary of results follows:

> Environmental phenomena, new construction, aging housing stock, incidences of crime, race, etc. have a greater impact on industrial growth than economic variables such as wages, productivity, availability of skilled labor, and investment. Social and environmental factors are in turn dominated by fiscal variables: tax rates and the tax structure, property tax as a proportion of revenue from own sources and federal and state support.

Results like those cited do not, of course, suggest that the arts are unimportant for urban development. However, in terms of research agenda there seems to

be little need to continue to try to uncover evidence that inter-city firm mobility is significantly influenced by arts climate. Given a certain level of economic activity and population characteristics determined by other factors, the role of the arts in influencing the pattern of SMSA development within the SMSA should be emphasized. My own earlier attempts to separate the independent effects of the arts on population composition compared to the reverse causal effects of population composition on the arts (using two-stage least squares regression techniques) suggest that any independent effects of the arts on population will be swamped empirically by reverse causality, or will be subject to the critique that a key variable has been omitted from the analysis (a good proxy for climate, perhaps) that would have eliminated the independent effect of the arts on population size and composition [7].

One hypothesis that might be further tested, however, is the one regarding the interest in the quality of life of firms having very educated work forces. If data could be gathered regarding which firms make local contributions to the arts, or who politically supported the public funding of the arts at the local level, one might expect such firms to be in the forefront. This might also extend to those firms who would get significant goodwill capital from such efforts, due to their primary customers being highly educated and upper income people. It is interesting that one might also expect that firms in industries that are "tight oligopolies" (the labeling of such industries would be highly problematic and would require careful product and geographic market definition), which are not competing rigorously with price discounts, might be expected to contribute more as a way of practicing non-price competition. Furthermore, to the extent that such advertising, goodwill advantages would be dissipated over time if all competing firms became philanthropists (a prisoner's dilemma situation), these firms might prefer to try to shift part of the arts funding costs to the general taxpayer via public funding. However, this will only be observed if the firms indeed do get "public benefits" from the arts via their firm labor forces (*i.e.*, lower labor search costs or lower wage rates due to the higher non-pecuniary income). This is due to the fact that if the firms benefit only from the goodwill, advertising effect (via their customers, not employees) they will gain nothing from public funding. They will just be paying part of the tax burden to support such public funding, but get no credit than can be internalized into private gain. Therefore, a careful study of the arts financing behavior of firms may clarify the types of benefits firms receive from a healthy arts industry and reduce the level of speculation regarding this issue.

Shanahan's paper, therefore, raises interesting challenges to try to add order to the currently chaotic debate regarding the impact of the arts on urban areas. Economists must be careful to recognize the legitimate scope of their expertise. They can add only limited specific advice to the general admonition "equalize the rates of return across all arts investment projects, or more broadly across all investments in urban amenities" that is so often made to public officials. This is the result of some determinants of those rates of return being intrinsically linked to artistic goals and long term intergenerational questions of maintaining some level of cultural heritage. However, there are areas that economists can certainly clarify. Economists can cast a critical eye upon claims by arts advocates that ignore the context of urban dynamics; they can investigate the effects on the arts industry of having only a few large arts firms, as opposed to a more "monopolitically competitive" structure with many fringe firms and a more differentiated product (*i.e.*, what happens to ticket prices and program scheduling when more arts firms enter; is the payoff to the community almost exhausted once the major showcase organization, say the symphony orchestra, has been funded, so that "peripheral" organization claims upon public funds should be muted, etc.); they can clarify the view that intercity population and industrial flows should be de-emphasized and intraurban land use and economic activity patterns investigated more carefully. The preponderance of the vague and difficult to substantiate claims documented by Shanahan indicates that this is destined to be a limited effort if it is to be meaningful. But it is far from a totally hopeless research agenda.

NOTES

1. Another city example is Cleveland, where Severance Hall is almost isolated in its location. People visiting the symphony seem to find it difficult to dine or shop nearby.

2. Richard Muth, *Urban Economic Problems*, Harper and Row, 1975, p. 41. He does, however, defend a more limited view of the export base theory, namely, "that employment in the production of goods sold locally depends upon employment in the production of goods sold outside the

region or city in question."

3. From "Introduction: City and Suburb," in *City and Suburb: The Economics of Metropolitan Growth*, Benjamin Chinitz (ed.), Prentice-Hall, 1964, pp. 15-16.

4. "Evidence on the Locational Activity of Manufacturing Industries in Metropolitan Areas," *Land Economics*, 1972.

5. "Quality of Life Factors in Business Location Decisions," *Atlanta Economic Review*, Jan./Feb., 1977, pp. 4-8.

6. Information based on personal conversation with Leslie Singer, head of the project and former colleague.

7. From an unpublished extension of my dissertation, "A Positive Analysis of Government Cultural Subsidies.

BUSINESS SUBSIDIES TO URBAN AMENITIES

by Virginia Lee Owen

Shanahan's paper, "The Arts and Urban Development," provides a basic overview of the possible role of the arts in urban development. By identifying and categorizing basic claims of arts advocates, the issues have been clarified and an agenda for research indicated. The last sections focus on the long-run dynamics of central city growth. Following the analysis of Harvey Perloff, the arts industry is identified as one of the crucial components of any successfully reemerging central city [1]. In addition, the potential for cultural amenities to serve as a magnet for jobs and people is discussed. The interrelationships of people, jobs, and the local economy are described at some length. The "chicken and egg" nature of the controversy is summarized by Professor Shanahan's statement, "Workers follow jobs, but jobs follow the markets that people create" [2]. Given the importance of certain non-monetary factors in attracting and retaining workers, it seems appropriate to inquire as to the role of industry itself in creating or supporting the development of these amenities. This issue is the subject of this note. The role of fiscal incentives in encouraging desired firm behavior is discussed first. The behavior of firms toward cultural affairs in the absence of specific incentives is then examined.

The Rationale for Incentives

The amenities associated with urban location are not all cultural. Shanahan cites evidence that the arts rank seventh in one survey of amenity preferences among business executives [3]. More important are pollution, crime, and the educational system. Industries themselves can do a great deal about these factors. Some, such as pollution, are directly related to firm activities. Even those businesses with low pollution in their production process can encourage car pools or provide transportation systems to reduce both traffic congestion and exhaust pollution. Such actions will probably require expenditures, however, and their undertaking will depend upon the evaluation of benefits received relative to these costs. Other amenities are not directly related to the firm's production process. The educational system, crime, hard-core unemployment are all social concerns which require an overt action apart from the normal conduct of business.

The enticement of private industry to solve these problems holds much allure to a post-Proposition 13 public whose willingness to expand direct government programs seems exhausted. These proposed enticements usually take the form of tax reductions or direct subsidies. Considerable analysis of such fiscal incentives has already been completed. This research falls into two major categories: (1) empirical investigations of the effectiveness of state or local fiscal incentives in attracting industry [4] and (2) examinations of the role of various federal tax credits in stimulating aggregate investment [5,6]. The inconclusive empirical results of these studies seem to indicate that fiscal incentives are not viable policy tools. Due and Bridges conclude that location incentives are at best secondary in the managerial decision process. What limited favorable effects occur probably arise from such intangibles as gaining the attention of the businessman [7] or creating a favorable "business climate" [8]. Profitability doesn't appear to be altered significantly by state and local incentives. Part of this is explained by the relative insignificance of state and local taxes in overall corporate costs and by the fact that the deductability of state taxes from the federal corporate income tax effectively gives a 50 percent offset even without state or local incentive plans [9]. Note that both these reasons disappear with a federal incentive system. The lack of effectiveness by state and local governments should not cause us to dismiss fiscal incentives in a federal policy.

The most expansive business fiscal incentive program at the federal level has been the investment incentive policy - accelerated depreciation, investment credit, etc. That this was successful in changing corporate profits is indicated by Brown's stressing the selective nature of tax relief rather than benefiting all firms regardless of efficiency [10]. Businesses were being asked to do exactly what they were doing prior to the incentives - only faster and in greater quantities. These incentives reinforced existing managerial preferences. Studies of them therefore concentrate on cost and profit considerations and totally ignore managerial preferences both theoretically and empirically.

All federal incentive systems cannot ignore managerial tastes, however. The solution of social problems and the provision of urban amenities is likely to arouse emotional managerial response and this response may well be negative. Intuition as well as research tells us that the effectiveness of these fiscal incentives depends upon a balancing of profitability and managerial preferences.

If the assumption of the firm as a profit maximizer is granted then the fact that private industry is not now solving social problems - in fact may be contributing to them - can be easily explained. The solution to these problems is not profitable to private industry. Firms pollute because it is profitable to pollute. Business is located in the suburbs because it is more profitable there than in the inner city. The hard core unemployed are not hired because it is less profitable to hire them than other workers. With this simplistic view of industrial behavior, fiscal incentives are always effective if undertaken in the right quantities. All they must do is reverse the direction of unprofitability and the firm as a profit maximizer will reverse itself on social problems. Consider as an example the attempt to get industry to locate in the inner city - presumably so that it will hire the inner city's apparently immobile unemployed [11]. A manufacturing firm will produce the same product for the same market selling at the same price in either location. Possible shifts in demand from the opening of a new market in the inner city or from the losing of an old market in a suburb are thus precluded by assumption. The relative merits of the alternative locations rest on actual or perceived differences in costs. The market has apparently assessed these costs as greater in the inner city. Transportation, vandalism, less skilled employees are possible sources of this greater inner city cost. Whateverits source, these higher costs make the average profit per unit less in the inner city than the suburb. Profit maximization dictates total specialization in the suburban location.

Some Complications - Nonmonetary Considerations

The simplistic view of a firm as only a profit maximizer probably lacks validity in the real world [12,13]. Firms may undertake the solution to social problems even when they do not comply with the profit maximization criterion. In the example of industry location, nonmonetary factors which might contribute to inner city location could include the following: (1) desire to improve public image; (2) fear of government regulation or competition; (3) moral obligation; (4) possible averting of future violence with its consequent destruction of property; (5) possible future sources of increased demand and/or labor force. This list is not meant to be exhaustive. Further, some items appear to be concepts directly related to profits - at least in the long run. They are included here on the presumption that they are vaguely evaluated and that no dollar value has been assigned.

All non-monetary factors do not favor the private solving of social problems. In the case of location of firms the following no doubt mitigate against the inner city: (1) distaste for the time and unpleasantness involved in commuting; (2) fear for safety of employees; (3) nuisance of possible increased vandalism and/or burglary; (4) annoyance at working with unskilled workers; (5) dislike of possible drearier surroundings. Again the list is not exhaustive. Further, some of these items appear pecuniary in nature - *e.g.*, (1) and (3). They are included here because apart from implied costs there may be unfavorable attitudes or "tastes." The importance of these factors depends in part on the status of those making the decision about location. If the decision-makers will move with the plant, these factors are no doubt more important than if the decision-makers do not move with the plant.

One further non-monetary factor needs elaboration - management perception of the fiscal incentives themselves. Of prime importance is the length of time the incentives are expected to exist. The more temporary they appear, the more likely management is to ignore them as a temporary aberration in an otherwise profit maximizing policy.

Since emphasis on the solution of particular social problems appears especially tied to the vagaries of politics, this perception of the future of a particular fiscal incentive may dominate management reaction to it.

The influence of the expected longevity of fiscal incentives is no doubt tempered by the size and nature of the commitment required by the firm. The smaller and more short term the nature of the financial commitment by the firm, the more likely it is to react favorably to fiscal incentives despite their short run expected life. The location of industry provides an example of the opposite extreme - a sizeable and long term commitment. Another factor which may offset the impact of the expected short life of a particular fiscal incentive is the possibility of permanently altering the relative profitabilities of the two production processes. This is really an infant industries argument in a more limited application. It is possible that hiring the hard core unemployed through fiscal incentives may become profitable even without the incentives. The actual work experience will surely make those hired more employable in the future even if the incentives disappear. The extent to which these results are anticipated by management likewise would alter managerial attitudes about the social policy.

The enactment of specific fiscal incentives for the furthering of the arts seems a plausible alternative to direct government support. The workability of the system, however, depends upon the tastes of the executives who make decisions regarding corporate donations and the form which the incentives take. Arts subsidies have the advantage of not requiring a long-term commitment or a basic change in production processes. It would seem that greater leverage for incentives directed toward the arts (or education, or medical research) would be forthcoming than those directed toward industry location, pollution abatement, or hiring the hard core unemployed. This should encourage arts advocates to press for such specialized treatment.

Arts Subsidies by Business

Fiscal incentives *specific* to arts institutions and activities have not existed in the U.S. Instead, the $400 million of foregone taxes in 1974 which Netzer cites [14] has arisen because of the *general* deductibility of donations to non-profit institutions. Much of this has come from individuals. Nevertheless, business has a long history of subsidizing arts institutions and cultural activities. Although early 19th century art patronage was generally for the works of Europeans,

> ... there was always to be found in the new class of American tycoons those in whom generosity and civic-mindedness managed to survive a highly developed acquisitive instinct and financial acumen. Men like Ralston, Harriman, Morgan, Havemeyer, Frick, Corcoran, Mellon, Rockefeller, and Guggenheim were responsible for the creation and support of many institutions and organizations which still play an important role in this country's cultural life [15].

The depression and world wars reduced the number of such patrons and the rise of corporate decisions by committee eliminated corporate patronage as the stamp of an individual tycoon's personal preferences. The link between business and the arts has not disappeared, however. The arts/business partnership has been formalized in the Business Committee for the Arts (BCA). The BCA has promoted corporate subsidy to arts institutions through conferences, publications, and a joint award program with *Esquire* for up to 30 "Business in the Arts" prizes annually. Business' direct support has increased dramatically - 24 percent between 1968-1970 [16] - and totaled $144 million plus in 1974 [17]. Local arts councils frequently call upon corporate donors to help fund the earnings gap of local arts institutions. An example is the recommendation of the Chicago Council on Fine Arts that corporations and their foundations should double the support of Chicago arts (estimated at $5.5 million annually in 1977) [18].

Another aspect of business support of the arts is their expenditures for works of art to display in their buildings and grounds. These are part of business expenses rather than subsidies. They do comprise a significant portion of business support, however, and were estimated at $44 million in 1970 by the BCA [19]. Current collections are impressive. The 7,000 piece collection belonging to Standard Oil and the 6,000 piece collection of Sears, Roebuck and Company are examples. Other firms such as Pepsico, J.C. Penney, R.J. Reynolds Company, Price Waterhouse and Company of Chicago, the Chase Manhattan Bank and hundreds of smaller firms are

active collectors [20]. Some art dealers have specialized in corporate clients to handle these demands [21].

Local civic pride appears to be crucial in obtaining and directing business support for amenities. The revitalization of Detroit is an example. It was spearheaded by Henry Ford II who got 51 companies to fund construction of a $350 million shop/office/restaurant complex in the central city [22]. Detroit businesses also support the Detroit symphony and other arts institutions. These subsidies are a display of community spirit which has not always been in evidence. It was generated by real economic forces. After the destruction of the 1967 riots in Detroit, the population decreased by a quarter of a million residents [23]. Even the presence of jobs could not stem the exodus. If Detroit were to survive, a major step had to be taken to alter the city's image. Business was faced with the choice of an expensive relocation by following the people or an expensive subsidization program to draw the workers back. It chose the latter. One could speculate that such a choice was based on long run maximizing behavior: it probably was the lesser cost option. In this revitalization effort, the arts were one among many recipients - and a lesser one at that. The revitalization grant did not focus on the symphony or a museum or any other arts institution. It focused on a commercially successful and self-sustaining complex of private businesses. Such a focus has the advantage of providing an increase in the tax base - something tax exempt arts institutions don't provide - thereby increasing funds for improving education, police protection, garbage collection and other public services. These public services are at the heart of intangible features which make a city attractive or unattractive. The self-sustaining nature of the commercial complex is also an advantage to the donors, for it means a long-term committment is not as necessary as for the development of an arts institution which can be expected to run perpetual deficits. Thus, in choosing how to place gifts, businesses may consider cultural institutions in a lower priority position than other activities which enhance their local community unless special incentive programs exist.

If arts advocates seek resources from firms and their foundations which are not tied to an obvious local economic need such as Detroit experienced, the difficulty may be even greater. The decision to support the arts instead of other deductible activities such as education or medical research must rest primarily with managerial preferences. All such actions have similar public relations value and, if local in nature, have similar effects in improving local amenities for the attraction and retention of population and thus workers. Some managers are concerned that arts subsidies don't "look right to shareholders. They are afraid of being criticized" [24]. The American attitude that the arts are a luxury and not a justifiable repository of public support has been expounded by economists such as Scitovsky [25]. Business managers are only reflecting this societal attitude in their concern for shareholders' reactions to arts subsidies.

The direct purchase of art works by businesses has both an amenity and investment motivation. "Art is seen as a way to communicate with employees, make them happier, and improve the surroundings in which they labor" [26]. Holdings are often displayed to the public. These are amenity motivations. The result may be less labor turnover and greater output. These are profit motivations. Despite these cost reducing spin-offs, the ultimate aim is "to humanize the working environment" [27]. On the other hand, capital gains do occur. An example is the Chase Manhattan Bank collection in New York. Its value is now double original cost. "Some say the art collection has been Chase's best investment" [28].

Business subsidies to cultural institutions and to urban revitalization are the result of a complex interaction of economic variables, managerial tastes, and civic pride. The arts are only one outlet for these subsidies but an outlet severely in need. Arts advocates should place the case strongly. Hopefully the outcome, in the BCA's words,

> ... will be the creation of a climate in which corporate support of the arts comes to be regarded as a normal business obligation because businessmen and artists have come to understand the contributions each makes to a full and happy life [29].

NOTES

1. Harvey Perloff, *et al., The Arts in the Economic Life of the City* (forthcoming) cited by James Shanahan, p. 18.

2. Shanahan, p. 10.

3. Joint Economic Committee, *Central City Businesses - Plans and Problems*, Washington, D.C., U.S. Government Printing Office, 1979, cited by Shanahan, p. 25.

4. See John F. Due, "Studies of State-Local Tax Influences on Location of Industry," *National Tax Journal*, June 1961, and John E. Moes, *Local Subsidies for Industry*, Chapel Hill, The University of North Carolina Press, 1962, for reviews of studies and kinds of incentives. Other research includes Benjamin Bridges, "State and Local Inducements for Industry," *National Tax Journal*, May and June 1965; James R. Rinehart, "Rates of Return on Municipal Subsidies to Industry," *Southern Economic Journal*, April 1963; and William J. Stober and Laurence H. Falk, "Industrial Development Bonds as a Subsidy to Industry," *National Tax Journal*, June 1969.

5. See, for example, E. Cary Brown, "Comments on Tax Credits as Investment Incentives," *National Tax Journal*, June 1962, and his similar paper , "Tax Incentives for Investment," *American Economic Review Papers and Proceedings*, May 1962, as well as Robert M. Coen, "Effects of Tax Policy on Investment in Manufacturing," *American Economic Review Papers and Proceedings*, May 1968.

6. Some articles defy this classification. See, for example, William L. Henderson and Larry C. Ledebur, "Government Incentives and Black Economic Development," *Review of Social Economy*, September 1969, or M.L. Watt, "Tax Exemption for Organizations Investing in Black Business," *Yale Law Journal*, June 1969. Although these articles focus on incentives for solving social problems, their approach is to describe technical or legal problems associated with the mechanics of the incentives. They neither evaluate or assess effectiveness.

7. Bridges, *op. cit.*, p. 175.

8. Due, *op. cit.*, pp. 168-9 and Bridges, *op. cit.*, p. 192.

9. Due, *op. cit.*, pp. 166-7.

10. Brown, *loc. cit.*, *National Tax Journal*, p. 204.

11. An early proponent of this position is Moes, *op. cit.* It is discussed at length in Rinehart, *op. cit.*

12. R.F. Lanzilloti, "Pricing Objectives in Large Companies," *American Economic Review*, December 1958.

13. W.J. Baumol, *Economic Theory and Operation Analysis*, 4th Edition, Englewood Cliffs, Prentice-Hall, Inc., 1979, pp. 377-392.

14. Richard Netzer, *The Subsidized Muse*, London, Cambridge University Press, 1978, cited by Shanahan, p. 11.

15. Business Committee for the Arts, *The New Patrons of the Arts*, New York, Harry N. Abrams, Inc., n.d., p. 28.

16. *Ibid.*, p. 122.

17. Art Detman, Jr., "The Disappearing Arts," *Mainliner* (May 1975), p. 42.

18. Chicago Council on Fine Arts, *A Survey of Arts and Cultural Activities in Chicago*, 1977, p. 18.

19. Business Committee for the Arts, *op. cit.*, p. 122.

20. Walter Olesky, "Corporations Get the Picture," *Ambassador* (August 1979), pp. 29-32.

21. *Ibid.*, p. 30.

22. Noel Grove, "The Two Worlds of Michigan," *National Geographic* (June 1979), pp. 818-19.

23. *Ibid.*, p. 819.

24. Detman, *op. cit.*, p. 42.

25. Tibor Scitovsky, *The Joyless Economy*, Oxford, England, Oxford University Press, 1976, and "What's Wrong with the Arts Is What's Wrong with Society," AEA *Proceedings*, May, 1972.

26. Olesky, *op. cit.*, p. 29.

27. *Ibid.*, p. 32.

28. *Ibid.*

29. Business Committee for the Arts, *op. cit.*, p. 123.

PROBLEMS IN CONCEPTION OF THE ARTS AND URBAN DEVELOPMENT

by Steven Globerman

Efforts at comprehensive papers are often difficult. The very nature of such discussions may create as many new questions as they illuminate. It seems to me that there are a number of general problems about arts and urban development which need to be addressed.

First, it would be useful to define the boundaries of what is meant by the "arts" industry - at least as far as the author's scope of analysis is concerned - since the various claims considered in Part I are conceptually more or less relevant depending on how one views the arts. For example, if the definition of the "arts" includes the film industry, the employment impacts of expanding this industry may be substantially different than encouraging the growth of the visual arts or architecture. Relatedly, it is not clear to me exactly what point is being made under the subject of physical development. Are the arts here being distinguished from architecture and industrial engineering? How the arts shape physical development should be made more clear once they are better defined.

Second, affirmation of the valid claim for cultural subsidies even as an investment requires more than a demonstration that the arts provide benefits of an urban development variety. It must also be demonstrated that the optimal rate of cultural "investment" would not be realized in the absence of government subsidies. Also, it must be established that subsidies to the arts promise a higher rate of return than government subsidies to other activities.

Third, it remains to be established why cultural needs of the individual cannot be satisfied within a market context; also, even if the arts are "directly related to emotional well-being and mental health," the fact that the arts are consumed by such a small percentage of the population suggests that it is difficult to promote general welfare through promoting the arts.

One would not necessarily assume that commercial objectives and artistic excellence are necessarily antithetical. For example, the most successful theatre groups in Canada focus on plays by Shakespeare and Shaw. In the absence of clear standards of artistic excellence and persuasive evidence affirming the incompatibility of profits with artistic excellence, such a claim is a dangerous guide to funding policy.

As a guide to federal funding, the local "export" promotion argument would take on aspects of a Second-Best argument; *i.e.*, a desire to help certain regions of the country at the expense of others. The "rest of the world" in the case of an individual U.S. city is, by and large, other U.S. cities. Indeed, it is not at all clear why a balance of trade argument is relevant to the issue of federal funding of the arts. And if one is a believer in free trade with no non-tariff barriers, even local subsidies for the sake of promoting a favorable balance of trade detracts from overall national welfare.

The author seems to be saying that the arts are one input into urban redevelopment, and yet Perloff suggests that it may be a fairly minor input. In light of reported findings that cultural amenities are not as important as other factors in attracting businesses, the use of cultural subsidies as either a short-run or long-run growth promoting strategy seems more problematic than the author acknowledges.

Finally, in line with the above point, it is relevant to note (I think) that the sunbelt has managed to attract a substantial increase in population without a strong cultural base. Not only are we unsure of positive impacts using art as a development tool, there may even be negative development impacts, some would argue that arts policy has been biased toward promoting the "centralization" of culture in urban areas, in particular to the detriment of people who live in suburbs. Indeed, some research indicates

that the greatest excess demand for the arts exists in the suburbs [S.H. Book and S. Globerman, *The Audience for the Performing Arts*, Ontario Arts Council, Toronto, 1975].

I know of no one who is arguing that the arts are essential at tapping the human productive potential of hardcore unemployed. A few references in this regard would have been very enlightening. Further, why should cultural subsidies be used to prevent population migration? What efficiency argument would promote such a use of resources?

It is not possible to conclude definitely that arts have no impact or that they have little impact on development. The problems cited above may be largely problems of limited research in some of the above-mentioned problem areas. It does seem clear, however, that there are definite needs to define the arts and then research them carefully following a logical and consistent and as yet unfound set of analytic principles. Arts and urban development? We are uncertain.

THE AMENITY-DISAMENITY MIX IN THE CITY

by Gary Garofalo

Professor Shanahan's paper covers an enormous amount of ground on a complex topic. Although he states that several sections of the paper are "thin", he reviews the topic with considerable depth. The lack of depth is in the literature rather than with his knowledge.

Professor Shanahan raises the issue: "What can the arts do for the economy?" He answers optimistically although the empirical evidence cited from the Baltimore study does not support such optimism. My answer to this question is more pessimistic. In this note several issues are raised which question the impact which cultural activities can have on the economic development of older and mature metropolitan areas. Expansion of the arts, it seems to me, can play an important role in the development of the downtown section of the central city and in the development of some neighborhoods in the central city. The arts, however, have several limitations as stimulators of economic growth for mature metropolitan areas.

One reason for the differences in our opinions is that the conceptual framework from which my opinions are derived differs from the framework used by Professor Shanahan. He emphasizes the impact that the arts have on the economic base of an urban economy. Since cultural activities improve the balance of payments in an urban economy, an expansion of cultural activities will stimulate economic development.

An alternative conceptual framework is based on the economic view that cities develop because of greater efficiency associated with the concentration of economic activity. The benefits to firms and people from economic concentration are called *agglomeration economies*. However, agglomeration economies are a two-edged sword. On one hand, they increase the productivity measured by output per worker or real per capital income of the metropolitan area. This induces growth and raises the level of income. On the other hand, the concentration of economic activity produces an amenity-disamenity mix which is unfavorable. Disamenities, like congestion and crime, increase with metropolitan size. Thus large metropolitan areas may be efficient sites for the production of goods and services, but they are unpleasant places to live for many workers and their families.

Older metropolitan areas face a particularly difficult dilemma: their productivity is declining at the same time that disamenities are worsening. Productivity declines because the comparative advantage which the metropolitan area once enjoyed is lost. Changes in technology, shifts in regional markets, changes in consumer preferences are often the causes of the comparative disadvantages faced by older metropolitan areas. For such an area to grow its economic base must shift to other industries. Obviously this is difficult for a metropolitan area which has considerable capital invested in a declining sector.

Amenities are affected by productivity. Amenities tend to grow with market potential. However, market potential declines as productivity is reduced. This relationship has two aspects. First, there is a slowdown in economic growth. The size of the market shrinks; that is, in terms of demographics, there are fewer people and the age structure of the population becomes older. Second, real family income falls as productivity declines. To see the impact of these factors on amenities, we categorize amenities into three types: site-specific, size-related, and purchased amenities. Site-specific amenities include such conditions as climate and nearness to beaches or mountains. Size-related amenities include range of occupational choice, neighborhood choice, and access to certain goods which have a high population threshold. Purchased amenities are

amenities that develop in response to changes in urban income and can either be public or private. Public purchased amenities could include a high-quality school system, performing arts theatres and parks. Private purchased amenities include quality restaurants, shopping, and cultural activities.

The impact of declining productivity on the amenity structure can be summarized quickly. Site-specific amenities are now irretrievable. Size-related and purchased amenities decline as market potential falls. Thus cultural activities which have dimensions of both size-related and purchased amenities tend to shrink in mature metropolitan areas. In addition, disamenities are increasing such as neighborhood decline, blight, crime, deterioration of the housing stock, and deterioration of public infrastructure.

Workers, on the other hand, want to be compensated for the unfavorable amenity-disamenity mix found in mature urban areas. Yet the economic pie is shrinking since productivity is declining. With less economic pie to distribute, some workers are not compensated and others are not compensated sufficiently to keep them in the metropolitan area. Young workers with high skill levels must be compensated if they are to remain in the local economy. Distributing income to this group means that less is available for older and less skilled workers. The burden of decline is shifted to older and less skilled workers and their families. Even though firms try to fully compensate skilled workers, the long-term employment opportunities for those workers are better elsewhere. There is thus an out-migration of skilled workers even though the economic pie is shifted to this group.

To summarize the interactions. As the metropolitan area enters into a mature phase of its economic life-cycle the productivity of its resources decline. The amount of economic pie per person declines; that is, real income falls. Declining productivity reduces the amenities of the metropolitan area because amenities are related to size and income level of the urban area. In addition, disamenities continue to lower the quality of life. Workers want to be compensated for the unfavorable amenity-disamenity mix. Nevertheless, there is less economic pie to be distributed. Some workers cannot be compensated at all while others cannot be compensated sufficiently to keep them in the urban economy. The most mobile workers with the best alternative employment opportunities are the ones most likely to migrate, reducing even further the quality of the urban resources.

The process of decline described in the previous section may be reversed in two ways. First, productivity can increase. There can be an introduction of new technology, a shift in the economic base to new products which have growing national markets, or an expansion of national and regional demand for products currently produced in the metropolitan area. Second, there can be an improvement in the amenity-disamenity mix. We are interested in the latter aspect, although improvements in the amenity-disamenity mix will have an impact on the productivity of the metropolitan area. The broad issue is: for mature urban areas, is economic growth sensitive to an improvement in the amenity structure? Although an empirical analysis is needed to answer this question, it appears that growth is not very sensitive to improvements in the amenity structure. Is it reasonable to expect that cities like Pittsburgh, Cleveland, and Buffalo will experience growth if the quality of life improves in these cities? To some extent the quality of life has been improving in these cities. For instance, the pollution level in Pittsburgh is improving. Yet we do not experience economic growth in this urban area. To determine economic growth one must look at the amenity structure in the whole urban hierarchy, not simply the amenity structure in a single metropolitan area. Many small and growing metropolitan areas, especially in the south and west, also have improving amenity structures. These metropolitan areas provide the best of both worlds - increasing production and expanding amenities.

In addition, improving the amenity structure of a mature urban area in the northeast may be difficult and costly. First, some site-specific amenities, like climate, proximity to mountains or beaches, cannot be altered. Urban areas in the south and west have a distinct advantage when compared with northeastern cities. The cost of restoring other site-specific amenities is very high. For instance, the cost of making the shoreline of Buffalo a pleasant recreational area is very high. In fact, most of the length of the Buffalo shoreline cannot be restored given the present land use patterns. Second, size-related amenities may be exhausted at a relatively low population size, say 500,000 to 1,000,000. People desire to live in an urbanized area as opposed

to a rural community, but the gains in size-related amenities may be slight for many individuals (especially when disamenities are also considered) beyond a minimum size city. Purchased amenities which interact closely with size-related amenities also may be difficult to expand beyond minimum size and income thresholds. Furthermore, size and purchased amenities can be enjoyed by visiting cultural centers. Although this is a costly way to enjoy the arts, it is the price of having an arts agglomeration.

Although amenities in general and cultural activities specifically may not be strong stimulators of overall economic growth, they can be important for the development of the central business district and for neighborhood development in the central city. Two factors are important. First, there is evidence that neighborhood development is a cumulative process. Internal and external forces on the neighborhood can trigger a process of cumulative failure or success. Although this process is not fully understood, it seems that the arts would be a force working toward cumulative success. Secondly, as Professor Shanahan points out, central cities have a comparative advantage in the production of cultural goods and services. Local policy makers can use this locational advantage to help in neighborhood development. By concentrating cultural activities at specific locations within the central city, neighborhoods may be moved onto a success path.

TWO ELEMENTS OF THE ARTS AND URBAN DEVELOPMENT:

The Arts Service Industries and Physical Design

by Carl Colonna

The Shanahan paper maintains that its purpose is to give a perspective on most of the arguments that have been used to identify the importance of the arts and cultural amenities for more dynamic American urban centers, now and in the future. The emphasis is on policy discussions. The author goes on to present the various arguments lending support to these claims. Eleven claims are set forth relating to the arts industry, cultural amenities, and education and development. The paper maintains that the problems of definition with respect to arts and urban development can be reduced if it is recognized that urban development has three components: economic, physical and human development.

The arts industry, the author maintains, contributes directly to the local economic base in two ways: (1) the industry exports a major part of its output - bringing net new income dollars into the economy; and (2) the arts industry relies on local firms and factors of production for their endeavors, keeping the local art industry income dollars within the area.

It must be recognized that art-based industries in a locality, if viewed as a means to stimulate local urban development, may be confronted with somewhat the same competitive criteria for existence as other local industries. That is to say that the local art industry is confronted with "demand economies" for its mere existence. In light of this, there may exist, for any given good or service such as art, a threshold size of market below which demand is insufficient for some degree of profitable production at any output. This creates a situation in which a demand results in a price less than per unit costs of production. In short, a large market demand enables the firm or industry to take advantage of "economies of scale". These lower costs may result from the ability to specialize jobs or utilize more complex equipment.

It is conceivable that goods produced in one area may be consumed in other areas. In essence the availability of goods at lower prices in one area may eliminate production in other areas even if these other areas have a demand above threshold size. This has the obvious effect of precluding the art industry as a catalyst for urban development in separate but surrounding localities. However, this observation does not totally preclude the effect of this service industry as a factor in urban development of a given locality or surrounding localities. It would be interesting to observe some quantitative data relating to the "export multiplier" effect of the arts industry. This would obviously reveal how this export-based industry would increase employment opportunities and raise area income and, conceivably, may lead to the movement of people and arts-industry oriented business firms into the area.

Professor Shanahan implies that services are becoming a larger proportion of the total output of our economy and of our urban economies. In his observations concerning the arts industry as a service-related industry, he fails to break the arts industry down into the types of art services. Some art activities are highly mobile, such as a ballet or dance company, and these types of art can be easily moved to the consumer for consumption. However, art activities such as the visual arts, painting and sculpture, have a consumption pattern which tends, by and large, to take place at a stationary point of consumption. In the case where consumption is somewhat stationary, a sufficient level of demand near the consumption location is necessary, thus demanding a large population base, since only a small proportion of the population may have any demand for a particular specialized service in any time period. Therefore, it is of paramount importance to look at the type of art services as a stimulus to a locality's urban development.

It must also be recognized that the realization of potential demand economies may lead to more firms locating in the area to obtain potential supply economies. A larger population represents a larger and more skilled work force for new firms. This movement, in turn, creates more jobs and generates more income which then becomes an addition to the demand economies factor. This leads one to conclude that a possible tautology exists between the two notions that people follow jobs and jobs follow people.

The paper mentions that the aesthetics of the design of the physical environment may be an important social amenity in the pursuit of the quality of life. In addition, the author notes that current physical environment provides one of the cultural ties with the past and into the future. It seems that these two notions are directly related to each other in the sense that urban development must relate the physical environment to human places or centers as people places. This theme was most adequately treated in a documentary film marketed by the University of California entitled, "Cities for People". The film's thematic element revolves around the notion that spatial areas of a city should be viewed as a room with walls, a ceiling, and a floor. It becomes obvious that people places should and can place a high premium on the aesthetics of the surroundings by tying the new with the old. This can be observed through the progressiveness of the Milano "Galleria" which at the time of its creation was certainly dynamic in that it tied the past and future together without ignoring the aesthetic value of the facility to the users. Contemporary examples of the relation of physical environment to the quality of life can be seen in Atlanta, Savannah, and El Paso, which have clearly integrated urban development with art and cultural aesthetics. It becomes increasingly more important to recognize this relationship which will require an ever increasing presence of the arts in our cities and in our educational institutions. This notion was aptly stated by Sir Winston Churchill: "We shape our buildings and they shape us."

THE ROLE OF EDUCATION IN THE ARTS AND URBAN DEVELOPMENT

by Kenneth Kahn

As a painter and arts administrator I am heartened by the concern of economists for the arts in our society. One unshakable impression I was left with after the Edinburgh Conference is that participating scholars all expressed in one way or another that the arts are an important part of our lives. How important and why are of course irreducibly personal - as indeed they should be. The variety of papers presented attest to the range of interests and points of view held by scholars regarding the arts. One reason, and a fine one, too, that our government dispenses relatively little direct support for the arts is an underlying sound and healthy belief (even held I think among the most strident arts advocates) that participation in the arts is determinedly intimate and personal, especially in any democratic pluralistic society. Nazis felt otherwise and devoted immense energies and funds to direct and produce public art forms in all media bearing overt "socially redeeming" messages; they prohibited artists' personal expression and bent all aesthetic resources to political ends. Had Hitler had his way, Linz, Austria would have been the art capital of Europe, the ultimate Urban Arts Project.

It seems to me that the most cost effective, far reaching, and democratic way of supporting the arts is to further invest immediately and most heavily in arts education at all levels, infusing virtually all academic pursuits with aesthetic components. I believe that within 20 years of mobilizing such comprehensive arts education combined with further liberalization of personal and corporate charitable tax deductibility provisions, that much of our present anxieties regarding the viability of the arts would be relieved. Indirect government support would grow explosively, I think. As a corollary to these efforts I believe that federal and state art agencies would not require significant growth, but rather could invest in special projects not easily managed alone by the traditional arts organizations, even with their improved financial condition. I would also expect a vast expansion of arts activity on the grassroots level; local arts councils working closely with civic and community groups on an integrated, truly productive basis.

I believe that the present "financial crisis" in the arts is a result of their being compartmentalized, *i.e.*, viewed as a separate industry. I think Shanahan does agree with many others who believe that the "merit good" argument for public support of the arts is the ultimate and only perfectly defensible one. The sad note about our society is that producers of things by and large cannot even remotely think of themselves as artists. Most of our population is alienated, removed from any aesthetic life. A special population of artists forms the nucleus of an arts industry which is in turn alienated from great numbers of the population. Yet comprehensive arts education can have a resounding effect on the thinking and actions of our producers, the makers of our world. It can bring people together. It is happening now; recycling old factories into residences, old police headquarters into Institutes of Contemporary Arts; underground factories and schools, dilapidated and abandoned industrial riversides and waterfronts into parks, murals on city buildings, colorful weekend open-air farmers' markets in formerly deserted downtown districts, floating galleries and restaurants on former coal barges, murals on barns, sculptures on interstate highways, supergraphics in formerly colorless business offices, corporate art collections, the explosion of handcrafts, and so on.

All of these impulses have economics and beauty in mind; they are evidence of a newly emerging holistic response to how we produce, consume, and live. We all plan and build, use and enjoy and take pride in these things together.

I think Shanahan's paper does an interesting

service in providing perspective about eleven claims for the arts as development tools. His posture of tentativeness is common-sensical. There has been too little research investigating the validity of the claims; I suggest that definitive, or rather, comfortable validation won't soon be found. There simply isn't yet a universally accepting attitude about the roles the arts can play in urban life. The very poor is one significant group which doesn't see any real point to all the urban arts goings-on. If the arts are deployed by the few primarily to gloss over real problems besetting our cities and their poor then surely real gloom will overtake honest scholars investigating the role of the arts in urban development and with them, the cities themselves. What is needed in assessing the role of arts in urban development is money, time and patience, and long-term private and public sector commitment to invest and experiment. For I suggest that if the few who are now initiating arts activity to help facilitate urban "economic" redevelopment or to complement it don't become the "many" who "do it" because arts activity and aesthetic concerns are as necessary as breathing and eating, then we'll have just indeed glossed the surface. We must wait and see how authentic the investments are. Scholars really ought to assess this. Shanahan is correct in suggesting that a balanced social science study of behavior is in order to project a useful future role of the arts in urban development.

EVOLVING CULTURAL POLICY IN CITIES IN THE UNITED KINGDOM

by Ian Appleton

By placing academic lassoes around the broadly-defined, but also limiting the material mainly to the measurable components of the economic pressures on the suppliers of artistic endeavors, and the economic benefits that may accrue, directly or indirectly, by communities, this paper makes an important contribution to the general arena of public-services research, in which those cultural services provided in urban areas have been virtually neglected. Shanahan's shopping list of factors including those that encourage urban growth and the amenity value of cultural edifices to encourage industrial expansion in an existing urban area is a particularly useful overview.

The following comments prompted by the paper are more an attempt to set the function of economic analysis of cultural activity in urban areas against an historical and political context in Britain, rather than to address reactions to specific economic aspects contained within the paper.

The role and involvement by the public sector has expanded from an initial educational function, to one of justifying the intervention and financial support from public funds of selected cultural edifices, to one of including specific cultural and social aims. Only until the question of choice of cultural policy (and also if a cultural policy is valid at all) by the public sector has been considered in relation to the reality of public expenditure cutbacks, has economic analysis and, in particular, the economic benefits [beyond the educational, cultural and social aims] been considered to justify continuation (and even expansion) of the public sector involvement in principle, and to support specific cultural policies in urban areas.

Historically, entry by central and local government into the cultural arena was supported by an *educational* aim. In the nineteenth century, legislation in Britain enabled local authorities to build and operate museums, art galleries and libraries. Advocated by a small group of the educated and philanthropic, such facilities were provided to allow ease of access by all to enjoy literature, painting, sculpture and pieces of antiquity - previously only enjoyed by the few. Economic argument was implied as education can be justified on grounds of improved skills, knowledge, etc. which relate to advanced technology and therefore contribute to commercial development. Economic justification, however, was not the motivating force of the reformers.

Within the field of cultural service the public sector was not to expand its role noticeably until after the Second World War. Its role peaked in the 1960s, with legislation to enable the financial support of places for the performing arts by the local authority. The response to the enabling legislation has been threefold: first, the opportunity to increase their cultural role has been completely ignored or rejected; second, the local authority has built new facilities (assisted financially by the Arts Council) and initiated new professional companies; third, the local authority has taken over, often with reluctance and usually without the management expertise, the failing commercial theatres existing in their area. With competition from television, commercial interests moved from theatre into the more lucrative areas of the leisure industry; continuation of theatre has required subsidy and local authority initiative. The aim though of the public sector was cultural, seen as making available to the public at a reasonable cost to the individual those institutions of cultural significance and excellence. This *cultural* objective was directed, first, towards large (but few) existing professional companies and, second, toward new regional professional drama companies which have a financial partnership between local and central governments.

Reaction to this concentration on the relatively

few professional companies prompted rejection of this public sector policy, seen as elitist and bureaucratic, with the alternative of financial support for the participatory, grass-roots, democratic and popular arts. The aim rejected the objective of cultural reinforcement and introduced a *social* objective based on a concept of cultural democracy and participation by all members of a community.

The objectives of the recently formed Departments of Cultural Services (or with similar titles) in local authorities generally combine the educational, cultural and social, while the local political interests and pressure groups emphasize one or other of these functions within an overall cultural policy. It is at the level of local government where the conflicts of interests over cultural policy and between cultural interests and other public services occur openly, involving local arts groups, individuals, local politicians and local government officials.

During the last twenty years the relations between the three main sources of direct arts support, central government, local government and private patronage, have become increasingly distorted. Central government support has increased rapidly, while local support has not, and private contributions have been nil. The central government's increase, while substantial, has slowed down considerably in the '70s. This has disappointed those advocates of expanded cultural activity, especially after the high expectations of the previous decade. The central government has become increasingly unable to satisfy the expanding demand generated in times more prosperous, especially in the more experimental areas of artistic development. Over the twenty year period central government has contributed heavily to the network of regional theatres as well as the National Theatre and Royal Shakespeare Company, with their own staff, companies and buildings, each continuing demand for financial support while the cost of running such enterprises has risen above the average (and while entry costs for the public have not kept pace with the rising costs of these new enterprises). The newly found funds of the 1960s meant that the established institutions could be supported and that, in addition, new and experimental enterprises also could receive public support financially. The expansion occurred during a period of experiments in the arts. With central government funds appearing to be always available, judgement over the quality of the products of the various applicants for a share of the funds was virtually unnecessary.

The local authorities' total expenditure on the arts has not kept pace and indeed has not increased dramatically during any period over the last twenty years. Local political encouragement has helped increase the level of local authority funding. Based on civic pride, arguments have been made for matching comparable efforts of nearby towns and cities; but it has been the 'pound-for-pound' matching policy of the central government that has extracted the largest funding from the local authority.

The central government agency, the Arts Council, has been more courageous in its policy of money distribution, by supporting experimental events for example, unaffected by political pressure or even by the Department of Education and Science from which the Council receives its overall grant. This is not necessarily the case with the local authority whereby local political pressure not only sees the total expenditure on the arts by the local authority in relation to all public sector expenditure and the competition between the various sectors over the limited resources, but also has the potential power to censure films, works of art, performances, etc., considered for the local authority area, on the grounds of the public good, plus an eye on votes at the approaching local elections. Decisions on the extent of expenditure and the content of those endeavors may well be influenced by the limited experience and interest in the arts of a local politician rather than by the level of existing and potential artistic activity to be encouraged in an area. So, whereas the Arts Council follows the British tradition of anything cultural being organized financially at a distance and apolitical in nature, the local authority is subject to local political pressures over their cultural policy.

In spite of the differences politically between the central agency and the local authority towards funding, a common element, although becoming more of an assumption, is that once funded always funded. Having established a Civic Theatre, so the funds will always be available, with fluctuations over the actual amounts, so that a sense of security has been the tradition with museums, art galleries and libraries and an increasing security, although its falseness is increasingly being tested, for those in theatres and concert halls. The creative process itself (direct support to artists in their work) does not require facilities and has always been supported with

a system of one-off grants to individuals. Consequently, the funding has not been as secure in comparison. This need for a continuity of funding for the artistic endeavors which require buildings and staff is not conducive to the modest, but available, private patronage; private individuals or firms are more interested in the single event (performances) and associated publicity for them. They are not receptive to an everlasting financial commitment to, say, a theatrical company. However, with cutbacks within the public sector expenditure, in general, the reliance on private patronage will increase. The current evidence indicates that, while not a flood, money from the private funds, for at least individual events, is more abundant.

In times of growing funding, questions concerning either quality of arts or public accountability can be avoided or minimized by the funding bodies. This leaves only the local authority in a position to potentially censor; the private sector in turn will be concerned with such virtues as image and publicity. It is not until cutbacks have become the political aim and economic pessimism has become a reality that identification of specific policies, expressed as objectives, benefits and costs becomes relevant. The arguments surrounding the policies and the policies themselves have tended not to be new; the discussion surrounding issues such as elitism versus cultural democracy is well rehearsed. The reality of funding restrictions has focused attention, in a political debate, on supporting specific areas of arts activity within the restricted budget. It is at this point that the economic (rather than educational, cultural or social) justification has been raised beyond the mere academic interest of economists to delineate and measure any subject matter identified with money. Selection, though, of a specific direction is complex as the debate over a cultural policy in principle contains sets of dilemmas. The first is whether a cultural policy for an urban area can be explicitly defined and neatly planned. Since the demands for specific attractions are difficult to express, the future of cultural activity through its innovatory characteristics is virtually impossible (let alone desirable) to predict, and the provision of cultural outlets is not within the control of a single supplier, but with a series of suppliers who are competing among themselves for the use of the free time of individuals. The problem of policy definition is aggravated by two further aspects: (1) because there is a fundamental difficulty in describing the extent of the activities that fall within a category that can be called culture, there is a wide range of activities carried out across a community which could be claimed to be cultural in nature with no single major interest that can be identified; and (2) there are pressures to increase support for activities of an individual's own choice - democratization of cultural activity - yet there remains the support of the traditional institutional activities - such as the orchestras and opera companies - and also the pursuit of excellence in the arts. It is the second of these - the elitist versus populist view of cultural policy - to which the central political debate is directed.

Elitist culture has been associated with those art forms which have been regarded as masterpieces in past periods and include great symphonies, operas, paintings, poems and so on, and reflect the condition of the society and the role of the artists at the time of their creation as much as the approbation of generations in their praise of excellence. These works are part of a continuing and evolving tradition of artistic and literary (and also architectural) enterprise. The cultural standards are produced by critical appraisals by autonomous and professional groups, and the works themselves are created by those who are professionals who work exclusively, or predominately, in the field of artistic endeavor. Elitist artifacts have emerged as being classified as excellent from a range of ephemeral activities and have been endorsed with the passing of time. This description of an elitist culture contrasts with an understanding of mass culture, which to its opponents represents the standardized and the ephemeral and is concerned with the coverage, rather than with the highest taste. Mass culture implies the amateur, or non-professional, both in terms of the lack of the pursuit of excellence and that motivation is not directed exclusively toward artistic development. The narrow elitist view is opposed by a broad-based populist view. The Chairman of the Arts Council of Great Britain in 1976, Lord Gibson, declared himself against cultural democracy and said that cultural democracy

> is the belief that because those arts are little enjoyed by the broad mass of people, the concept of quality is 'irrelevant'. The term 'cultural democracy' has been evoked by those who think in this way, to describe a policy which rejects discrimination between good and bad and cherishes the romantic notion that

> there is a 'cultural dynamism' in the people which will emerge if only they can be liberated from the cultural values hitherto accepted by an elite and from what our European 'cultural expert' has recently called 'the cultural colonialism of the middle classes'.

Lord Gibson's statement clearly states the attitude and the passion of the views held by those upholding excellence based on ideological beliefs rather than on the evidence of all cultural activities. The opposing view by the advocates of 'the people' see the excellence attitude as essentially middle-class and attempt to democratize arts subsidies away from the concentration of a few institutions. The majority do not benefit from opera, music, theatre, drama, etc., and the arts should be directed to the mass of the people and their preferences. The proponents of cultural democracy look toward immediate social relevance in the arts.

The argument is not only a choice between elitist and popular views of the arts but is also an examination of the role of *cultural continuity* in relation to the need for equal access by all to artistic creation and appreciation. The example of museums and art galleries emphasizes the concept of cultural continuity. Museum and art galleries acquire objects of antiquity, historical significance, archeological interest and artistic artifacts which are systematically coded, cataloged and conserved. Taking this observation further, the collections still exist without visitors and the continuation of the collections is justified in terms of the uniqueness of the works, continuity of cultural artifacts, and a collective good requiring patronage for its continuation. Destruction of, say, the Elgin Marbles would be forever, so that subsequent generations would not be able to appreciate the excellence (other than through photographs) and that contemporary objects cannot be seen in their historical sequence. Museums, art galleries and, also, the performing arts are not necessarily justified in response to an identifiable need or specific demand by a section of the public (be they the elite or representations of the masses) but the requirement of cultural continuity.

Urban policy planners who wish to develop cultural policy must be aware of the conflicting views and realize that it is unlikely that effective policy can be found which leads to development unless both views are noted. Obviously if one thinks of central location, one follows the elitist past; if one thinks of arts and education or arts and the neighborhood, one thinks of cultural democracy.